

MINUTES OF THE MEETING OF THE APPROPRIATIONS SUB-COMMITTEE ON  
ELECTED OFFICIALS AND HIGHWAYS  
February 11, 1983

(Tape 66, Side B,  
Tape 67 and 68)

The Appropriations Sub-committee on Elected Officials and Highways met at 7:00 a.m. on February 11, 1983 in Room 437 with Chairman Quilici presiding. The following members were present:

Chairman Quilici  
Rep. Connelly  
Rep. Lory

Senator Dover  
Senator Keating  
Senator Van Valkenburg  
Senator Stimatz

Also present: Cliff Roessner, LFA, and Doug Booker, OBPP.

WORK SESSION

Governor's Office

Security

The Department of Administration came up with a minimum recommendation on Security outlined on pages 1, 2 and 3 of Exhibit 1. Dave Wanzienried was asked to go over the budget with the committee. He referred to page 2. He said during the 1981 Legislature, there were two appropriations made; one to the Department of Administration in the amount of \$60,000 and an appropriation of \$36,000 for two fiscal years to the Governor's Office for a total appropriation of \$132,000. The total expenses were \$80,471 with a balance of \$51,529 that was not expended. The following page gives a detailed listing of expenses. This is broken down into two categories--"hardware and equipment" and "personal services." Page 1 of the handout is a summary of what our request will be for the upcoming biennium. Recognizing that the secret service and a number of other firms have identified that we have major security problems for the Governor and the Capitol security complex and balancing that against the economic situation, we find ourselves in a tight budget and scarce dollars at a time when we are trying to supply heat for the elderly, eye glasses, dentures, and the rest. We feel that this offers about the best compromise possible between those two apparent needs. We would ask for one additional FTE to be assigned to the Department of Administration and then three categories of additional Capitol improvements: One for the Air Corps which would establish a perimeter security system there much like the one that exists at the residence (not quite as elaborate) but one for the hangar that would prevent entry into the building and have a system tied in to the Police Department like the one at the Executive Residence. Mansion security, as you recall, there is no smoke, gas, or fire detection system in the house. This is a rough estimate based on the best numbers we have available.

Capitol Security Improvements would be security improvements, primarily in the Governor's Office area, and that would include emergency lighting and the other items that were listed in the secret service report. \$1,000 for training for security for one additional FTE and the current FTE. The total requested expenses would be \$71,876. The new dollars to fund this proposal would be in the neighborhood of \$20,000. This does not address the major problem of security for the Capitol Building. The Department of Administration has done a great deal of work on a minimum level of updating service and security available to the Capitol and the Capitol Complex. The Governor would recommend, for this biennium, because the situation is as tight as it is, that we forego that and try to improve the level of services we have available with the resources that we have and come back next Legislature and see if we can strike a better compromise between the scarcity of dollars and the need for additional security.

Chairman Quilici met with Dave Wanzenried and Morris Brusett and they had a rough draft of a bill for executive security in the whole Capitol complex with a budget which would be about \$800,000. It would make a good security system. At times like this, I can see why the Governor isn't going with it. The Governor said our priorities are people. We don't have enough dollars to take care of the people so we had better forget the politicians and the capitol complex for a while.

Senator Dover MOVED that we give them \$71, 876 for security which includes one new FTE to be appropriated to the Department of Administration.

Dave Wanzenried recommended that the money be appropriated to the Department of Administration for their over-all security. The \$24,146 should be a biennial appropriation.

Question was called and the MOTION carried.

Morris Brusett said in terms of our Capitol Building and renovation, we have given the list of the physical changes that should be made to the architect and we are going to try and accomplish some of that during Capitol renovation within our current budget. Based on our estimate, it would be about \$75,000 to make some changes to improve the security in the building over and beyond what we have here. It would be done by the 1985 session, if we get it off the ground.

#### General Services

Mr. Roessner said we still have to settle the FTE issue; there is a circular saw they requested more information on; we also have some amounts for those contracted carpenters to pull out of the budget.

Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 3

Chairman Quilici asked Doug Booker if he got a figure on the saw? Mr. Booker went to check on the saw that is listed for \$1,500. When we looked it up, the 10" saw was \$1,900 and the saw we had requested was \$2,400. Mr. Roessner stated this is a commercial heavy-duty saw. The OBPP allowed a figure of \$1,400.

Senator Dover MOVED that we appropriate \$1,500 for the saw. The motion was voted on and carried.

Mr. Booker inquired as to how much we paid the carpenter for contracting the services before he became an employee. We must pull that out of the base. Mr. Morgan stated that the amounts we paid these carpenters were charged to "Repair and Maintenance" categories instead of "Contracted Services". During the base year, we paid those people \$23,871. Mr. Roessner said the figure for FY84 is \$26,821 and \$28,431 for FY85.

Senator Dover AMENDED his previous MOTION of "Repair and Maintenance" by subtracting \$26,821 for FY84 and \$28,431 for FY85 from the OBPP figure.

Mr. Roessner said that according to the figures that were just approved, "Repairs and Maintenance" will be \$157,662 in FY84 and \$192,727 for FY85. Mr. Booker said that the main increase for FY85 is the Justice Building. It is on warranty for almost all of 1984 and so we didn't put anything in for that. In FY85 it goes off, and so we put money in to handle repair-maintenance contracts.

Mr. Booker said the way they intended to run this budget is to have an ending fund balance at the end of the year--enough to carry the program over for 45 days. With the committee's concurrence, we could say--up to a certain level, another \$50,000 could be left in that balance to pay for the mechanical contract instead of putting it in the bill so the contractor might know how much to bid on it. Allow them to pay the difference out of the cash balance at year end. Mr. Brusett asked if they wanted to line item it? He said it seemed like you have to provide for anticipated increases and leave it in lump sum. Competitive bids would keep it down low. We have six bidders. If we think there is a \$50,000 increase, just put it in there. We would go out on competitive bid and the low bidder takes it. As long as we don't line item it, he didn't think it would be flagged. It is a total budget. We tell them what it was last time; here are the number of buildings; you bid it. If it is too much, we reject them all. Chairman Quilici inquired if you always have to take the lowest bid. Mr. Brusett replied the bid would go to the lowest qualified bidder. We have to make an estimate on what is reasonable.

Rep. Lory made a MOTION that \$50,000 be put in to "Contracted Services" to provide for the mechanical contract bid.

Senator Keating asked if--on these bids that the contractors submit, are they subject to the Bacon-Davis Act that they have to pay the prevailing rate in the area? Mr. Blanton said that is true on all contracts.

Senator Dover asked if the bid came in and it did not use this \$50,000, then what happens to that \$50,000. Mr. Bursett stated that it stays in your cash reserve. Senator Dover asked what keeps it from being used. Mr. Brusett replied that you could line item every item there. That is something you have to decide. I am assuming you are giving it the minimal budget. We try to work within that. If we don't need it in total, then we wouldn't use it and it stays as a cash balance which is then considered when we come in next time and what we have to add to it. But the agencies have been charged, that is true. It would be on a square-footage rate so the agencies would be charged; it would come back in; if we don't need it, it sits there and builds up. The next time, instead of having a 45-day reserve, you have a 55-day so we will reduce our appropriations--bring the reserve down to what we think is an acceptable limit. On the other hand, if it is \$550,000 instead of \$500,000, I have to make them eat it someplace else. That's the way it works and that is why I hesitate to have you line item because these are estimates and we have to try and live within a total and keep it down.

The MOTION was voted on and carried with Senator Keating voting "no".

Senator Dover MOVED that the General Services program be accepted as amended.

Mr. Roessner said the FTE issue was not settled because we were waiting to see what was going to happen with the security proposal. A sheet was handed out previously showing the difference between Mr. Booker's budget and our budget and the total difference after the grounds keepers were transferred to Fish, Wildlife and Parks, were three FTE's. The LFA budget had deleted a maintenance worker also and a painter that had been authorized in 1983 by the last Legislature and he RECOMMENDED that those be added back to the LFA budget. He RECOMMENDED that the Administrative Officer be added back also. That position was deleted in error. They thought they were deleting the Administrative Officer that had been assigned to the Governor's Office because they wanted to put that position in the Governor's Office and reflect the cost there. That Administrative Officer is being paid through General

Services for that position. The only position that is being contested here is the carpenter's position. The Budget Office has deleted two security guards and transferred them to the Historical Society. We have deleted one security officer because of vacancies and a justification sheet was passed around for one security guard. The issue before you is whether or not to add the carpenter, to add the security officer back to our budget and approve the transfer of two security guards to the Historical Society.

Senator Keating asked how many carpenters do you have? Mr. Blanton replied that at this time they have two carpenters. Senator Keating asked - including the one he wants to cut? Mr. Blanton said that the one he is speaking of is one of those two.

Mr. Brusett said that the reason it was vacant was that they had contracted services and then converted them. That is why you took out of the base what they paid through contracted services. They found out that was "illegal" so they had to be converted to FTE's. That was the reason for the vacancy savings in those positions. We didn't fill them until we were in the session.

Chairman Quilici asked what is the total FTE's for the LFA. Mr. Roessner said if you make all of those changes, then you come up to the OBPP figures - 49 FTE's.

Senator Dover asked if that would take two security guards to the Historical Society. Mr. Roessner replied it did. All you have to do is delete them from this budget and let the Historical Society decide what they are going to do.

Senator Dover made a MOTION that two security guards be deleted from this budget and give them 49 FTE's. Motion carried.

Senator Dover made a MOTION that the General Services budget be passed as amended. The motion was voted on and carried.

Social and Rehabilitation Services Building Ammortization and Major Maintenance Account (Exhibit 2)

This is a program within the Department of Administration. Mr. Morgan explained this program is a vehicle whereby the Department of SRS pays a mortgage payment to the Board of Investments plus 40 cents a square foot of their building to a fund that is held in reserve to make major repairs to their building. This fund has been going along for several years and has built up to \$50,000 in 1982. A boiler repair was done along with some repair to the entry way which came to \$44,000. We add \$19,000 to the fund each year which is 40 cents a square foot for their building. It is just held in reserve.

Senator Van Valkenburg--you said that is where the money comes from. We are talking General Fund money that I assume is in

Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 6

SRS's budget that is being paid to the Department of Administration. In the Department of Administration, it is revolving account money?

Mr. Morgan replied that is correct. He corrected his statement--it is a debt service type fund. It is a combination debt service--capitol projects. Mr. Brusett said he was not sure it was called General Fund. Don't they do that so they can allocate it out to all their federal programs?

Senator Dover stated that the heating system that they have in this building is the same they have in Fish and Game. It isn't working at Fish and Game; it doesn't work on this other one. Phil Hauck is the one that is responsible for watching these things and it is just costing us money. We have already spent \$30,000 to get it fixed and it was only built in 1976. We ought to be checking those things out more instead of letting those engineers experiment. They have the air conditioning and the heat and they work against each other.

Senator Stimatz said the boiler fund always used to be a slush fund.

Mr. Morgan said this has all been budgeted and it has always been budgeted at \$196,204. A portion of that is a debt-service payment that flows from SRS to Department of Administration to Board of Investments to Teachers' Retirement. This is done because the federal government has some kind of a rule to charge the building so they charge this to their rent rate. The balance of the fund which is 40 cents a square foot or \$19,132 flows into the fund from SRS and stays in our Building Fund. If there is no major maintenance needed for this particular \$19,132, it adds itself to cash continually. And when there is an emergency, generally, it is for the \$19,132 and we have to come in for a budget amendment to spend the money. Repair of the furnace and the entry came to \$50,000 and we spent the fund down. It is now replenishing itself and waiting for another major repair job.

Senator Dover asked what does rent have to do with Teachers' Retirement? Rep. Lory replied that they hold the bonds.

Senator Keating asked why was there a difference between the LFA and the OBPP?

Mr. Roessner stated that the analyst who worked this budget didn't think that the amount had to be appropriated but I disagree with that. That is why it wasn't worked into our budget to start with.

Senator Dover made a MOTION that the Committee accept \$19,132  
spending authority for each fiscal year. The motion carried.

## HEARINGS

### DEPARTMENT OF REVENUE

#### Research and Information (Exhibit 3)

Ellen Feaver said that the Research and Information Division has three distinct functions: (1) the Research Bureau has five people who do all the fiscal notes that relate to taxes--either increases or decreases. They also do the fiscal notes that relate to other functions of the department. This occupies three to four months of their time. The balance of the time is spent in doing research preparing for economic issues, revenue forecasting, and that kind of research we need to keep up with in order to advise the Budget Office and the Governor's Office on revenues. We do our independent revenue forecast from the Budget Office so that we have two sets of heads looking at the economy and what might happen. Our approach to revenue forecasting is entirely different from the Budget Office and then we sit down and try to reconcile it. These people also do research related to our rules.

(Tape 67, Side A)

We have a Systems Development Bureau. Twelve people support about 55 active data processing systems. We rely heavily on data processing--particularly on income tax and liquor and in the other functions that we do that involve large amounts of money and lots of transactions, i.e., withholding taxes. These people spend a lot of time making these systems run and modifying them for changes in the statutes or changes in reaction to audit needs, i.e., income tax. Ten years ago we had twelve people supporting ten or eleven systems; today we have twelve people supporting fifty-five systems. Although twelve people might sound like quite a few, it is really not very many when they are spread over the whole spectrum.

In addition to the twelve, you recommended last session if we wanted to hire more data processing people to support "Liquor" that we hire those people from the "Liquor Revolving Fund". So we did. We have three FTE's that are data processing people supported from the Liquor Revolving Fund. They do nothing but work on Liquor Systems and they are supervised by our data processing people. In total there are 15 people in that area.

The largest part of this division is the Operations Bureau where there are 25.5 FTE's. These are the data entry people who are so

critical to our organization. There are nineteen people out of the twenty-five involved in data entry including the supervisor. We have four people who are involved in operating our computers. We have two mini-computers, 8100's; one of them supports our word processing system and the other does a large share of the liquor processing. When we did a cost analysis as to whether or not we should go that way using mini-computers in our department or go entirely with the big computer in the Department of Administration, we talked to the people in the Department of Administration, showed cost analysis and cost justification. In the long run it was determined it would be less expensive to use mini-computers. They said time on the big main frame was so expensive and they had plenty of usage. They had no problem with our doing what we could on the mini-computer. We can't run big systems like the income tax file on our mini-computer but there are lots of pre-processing and editing and efficient uses of the mini-computer as opposed to the big machine.

Senator Dover asked if we had a breakdown of the time that is allocated--keeping track of the warehouse or keeping track of the stores?

Mrs. Feaver replied--keeping track of our inventory so that is warehouse--and sales. One of the things we have been developing is a point of sales system but that is just one of the data processing applications. Most of the data processing applications we currently have we would continue to have if we operated at a wholesale level because they just say how much you sold and what you need to buy. We have an on-going pilot program with a point-of-sales system similar to what they have in some of the grocery stores. In Super Save, they have the UPC markings on your products and you just lay them over a mechanism that is embedded in the counter. In our liquor stores, we have a wand so that we have instant inventory update. One of the reasons we have been interested in piloting this program and, if possible, expanding it to the stores, is to keep a better handle on our inventory. Right now, we don't know what our sales were for quite a lengthy period. We don't know when we are overstocked. But with computerized cash registers and in talking to our computer in Helena on a daily basis, we can keep our inventory investment at a minimum. That application we would not have if we were not in the retail business.

The other people that we have in this division are administrative people, secretaries, and we have two people involved in word-processing support. When we went to our department-wide word processing system, every division ended up with a terminal but in some divisions we knew that there would be overflow work. For instance, in my office, in legal and in the Court Tax Division, there is frequently too much work being done for one operator at one terminal to handle. So we decided that we needed a central place in order that overflow work could go to the people within Research and Information. We formerly had this kind of thing when we had mag



cards. The people who had extra typing in their division could take it to the individuals who were doing overflow typing. Add the administrative people and the word-processing people and you come up with 49.5 FTE's.

In looking at the difference between the LFA's budget and the OBPP budget, there is a 1.5 difference in data entry positions. During the late fall, we wind down in data entry to very few staff on a customary year. This time of year, the room is full of data processing people because we have not only our quarterly withholding returns, but we have quarterly motor fuel returns, the liquor sales and data input and then we have the income tax. We have a very heavy workload through July, August and September. We have aggregate positions and, fortunately, there are a lot of people who are trained to do data entry. So you can staff up when you have the work and lay off when the work load is down. We definitely need the 1.5 positions for the entry in this program.

#### Supplies and Materials

The difference here between the LFA and the OBPP budget is caused because of computer paper. During the last biennium and for this budget cycle, computer paper was charged to us as part of our computer charge. During the biennium, the Department of Administration started charging for paper separately which was no problem but that meant that we underspent our "Contracted Services" budget and overspent our "Supplies" budget. The Fiscal Analyst said that since we overspent our "supplies" budget, they should cut out that amount. It is just a difference in line items. There was no change in operation but the \$16,000 was for computer paper. If you compare the 2100 line and the 2200 line, the total from the budget for 83 and the OBPP budget for 85 is not too different and the 84 budget for Contracted Services is significantly lower than the 83. That shows that we were counting on paying for paper in 2100. We didn't. We paid for it in 2200.

#### Travel

Mrs. Feaver: Our concern there is with our data processing staff going back to training. Even if we hired people in the first place who were accurate in their field, they don't have to stay around very long until they need more training or updating. Very little data processing training is available in the State of Montana. We can go together with other agencies and bring people in to do training for a group here rather than all of us going to Salt Lake. We have done some of that but there are occasions when people need to go someplace else to get their specialized training. That is what the difference is between the LFA and OBPP. Training

is a difference in "travel" and "other expenses". Some of the travel difference is field work. Since we have over 200 locations outside of Helena, many of those locations have data processing needs. For instance, our liquor stores--if we are going to put in POS outside of Helena (computer cash registers), then our data processing people are going to have to travel to those stores. Likewise, they have to travel to appraisal offices to see what the operation is so that they understand how to write a computer program that will work in the field. Another kind of travel that our people did this last biennium was in dealing with litigation--both with the railroads and the 34% figures. We did a lot of research on what was going on in the counties. We did statistical samples in a number of counties to show the ratio of appraised values today versus selling prices. We also did statistical samples where we reappraised houses. We went out and looked at and compared measurements, the description of a house as we saw it, as to what was on the record, to see what kind of a job we had done in prior years. We found lots of problems with what had been done last cycle. This required travel by many of these data processing and research people.

#### Rent and Equipment

The largest item--you have to look at rent and equipment purchases together. Our budget for 1983 for Rent was \$163,000 and that goes down to a requested \$73,000 for 1984. On the other hand, our equipment was \$3,000 and it goes up to \$33,000. If you look at those together, the explanation of that is that we did a cost benefits analysis of rent versus buy; and, basically, what we are talking about is our data entry devices. They used to be keypunch machines but are much more sophisticated now. We determined that if we purchased those data entry machines, there would be significant dollar savings to the state. That is what our budget requests. One type of data entry device would cost us \$15,000 a year on a purchase contract. The rental cost would be \$29,000. Another device--the purchase price would be \$6,600 per year and the rental price would be \$7,800. We signed purchase contracts. They all have escape clauses so that if you don't fund our continuing to purchase, we can go back to rent. If we don't buy, we have to rent or we don't process income tax returns.

Senator Keating asked from whom do we rent them?

Mrs. Feaver stated they were all IBM equipment.

Senator Keating asked if we are buying from IBM.

Mrs. Feaver replied that we were.

Senator Dover inquired why the renting was higher than the buying?

Mrs. Feaver replied that if we rent them, we can turn them back. The parent company runs that risk. In our situation, we know that every year we are going to have income taxes. It makes sense, in our perspective, to buy.

Senator Keating asked what data processing machines are used for?

Mrs. Feaver stated that the bulk of this is data entry machines or keypunch machines.

Senator Keating inquired what kind of data--data for what? Mrs. Feaver said income taxes. Everybody's income tax return is keypunched and put on a computer file (375,000 income tax returns a year). All the corporation tax returns--same way (about 35,000 tax returns a year). Everybody's residential property description (probably at least as many as there are income tax returns). Monthly, we key the sales for all the liquor stores and all the purchases for all our liquor stores by store and by product so that we can monitor purchasing and products. In motor fuels we have quarterly reports that are entered in data entry and the refunds are also entered. In miscellaneous tax, we have applications; but there we are not dealing with huge numbers of taxpayers. We have some degree of automation with our severance taxes. In our child support enforcement system, every child support payment that is made by the absent parent goes through data entry. Regarding withholding taxes, we get quarterly reports from employers which are entered in the data entry system.

Senator Keating asked if we know what percentage of use the liquor store has in this whole package.

Mrs. Feaver replied that of the 18.5 data entry people, about two of those are liquor. If we are in there at a wholesale level, or a retail level, we would still have that.

Senator Keating said that when you are dealing with income taxes, you have limited numbers. When you are dealing with inventories and liquor stores, you have unlimited numbers. Mrs. Feaver stated that the liquor data entry people are under this appropriation so they are not under the unappropriated status.

Senator Keating said that what we are talking about is equipment and I am trying to determine the percentage of use of equipment for a particular portion of your data. Mrs. Feaver said that in this division, the funding has been a mix of liquor funding and General Fund funding and we assume that you would wish to continue that again. Last session, we agreed there was no relationship between the funding from liquor and the service level.

Senator Keating stated he was trying to determine how much use of this equipment is attributed to liquor and how much is attributed to other tax.

Mrs. Feaver said that about two of the data-entry machines would be liquor, on an average. Liquor also uses our mini-computer quite extensively. As I recall, liquor money bought that computer. They use Systems Development Services and they use Research Bureau Services. In the funding of this division, if you choose to go with the historical funding that I apportioned, it looks like it is about a 25-75 split. I would want to have the same understanding with you that that doesn't necessarily mean that's the amount of service that liquor is going to get. Historically, the service provided in this particular division has been fairly close to the 25% funding; but in the past biennium we have not maintained detailed records because we had the agreement last time that funding and service didn't have an absolute relationship. On the other hand, if you want us to keep those kinds of records, we need to know that. Liquor money is General Fund money.

Modified Requests (Exhibit 3, page 3)

The first request is for four additional data entry people to do the residential property data entry. During this past biennium, we were developing software that would process residential reappraisal data. Our approach has been that we didn't want to do anything too fancy. We wanted to be sure we did something that we could get done before the deadline--that would work--that would be cost effective. The approach we took was to have residential property appraisers fill out forms that could then be used, key-punched here in Helena and the multiplication--how much is a fireplace worth--how much is wood siding or brick worth--look that up in a table and multiply it out and send the results back to the appraisers so the appraisers could look at the result from a replacement cost basis and compare it to the home that he just looked at and see if there were any adjustments that needed to be made. Generally our approach to residential reappraisal is through a replacement cost basis using January 1, 1982 replacement costs. The computer is doing very extensive clerical functions but it is doing it much less expensively than a number of people could do it. Because we have so many houses to do, we have not been doing this job in the past. We need more data entry people to simply keypunch the forms. Having four data entry people do this is far more efficient than having people in 56 counties doing this by hand.

Senator Dover asked if they had several years ago a computer-type of setup that they could use to evaluate these houses? Mrs. Feaver said that it never worked. In the early 1970's the state contracted with TAFF, Incorporated and they spent several million dollars trying to use a sophisticated system that used regression

analysis to value houses in Montana. The approach there was to say houses are selling for this much; replacement cost is this much; and then on a computerized basis to make adjustments to market value. The whole concept behind that design was bogus because we live in such a sparsely populated place that you cannot get statistically valid results from the sales in Montana. There are just too few in a community. You can't value residential property in Montana that way because we are too small. You can do it in a county in urban Washington or Oregon. Not only was the concept no good but they never came up with workable software so it was wasted money. When we started reappraisal this time, we started over.

There is a \$50,000 request to upgrade our current computer facilities to do the preprocessing of the residential property data so that we don't have to do that preprocessing with the big computer. We calculated that if we were to pay for use on the main computer, it would cost us \$75,000 per year versus the \$50,000 that we are asking for here. If we go ahead and purchase the minicomputer to do this job, it will save \$25,000 per year. (Exhibit 3, page 4)

Representative Lory asked if that was another 8100. Mrs. Feaver replied that it was.

Senator Stimatz asked if the Department of Administration recommended that you go ahead and do this?

Mrs. Feaver replied yes.

Representative Lory asked what this \$50,000 would do - purchase another 8100?

Mrs. Feaver replied that it would.

Senator Dover asked Mrs. Feaver if she had worked this through the Budget Office of the Department of Administration?

Mrs. Feaver said that before you can buy any new equipment, you have to have the approval of the person in the Budget Office before you can even pursue the purchase. We got that. But also because I was concerned about the Department of Administration's attitude about this, I thought this would be a savings to the state. Department of Administration said we shouldn't be having applications like this on the main computer.

The system has changed substantially in the past few years so that you can get a fairly heavy-duty minicomputer to do quite a job for you. It won't run an income tax file but it can do a lot of things less expensively than the huge system that is in the basement.

Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 14

Representative Lory asked how much additional memory do you have to put on this for your reappraisal? Mrs. Feaver referred the question to Roger Linnell who said this would update the equipment from an 8130 to an 8140 which increases the capacity by about 75%.

Chairman Quilici asked if the numbers are quotes you have on the 8140.

Mrs. Feaver replied that they are.

Mrs. Feaver stated that on page 5 of Exhibit 3, we have a modest request but one which we think is very important. We have all this machinery and we need somebody there to run the machinery longer than an eight-hour day. This is a request for .5 of a position for a computer operator to run our equipment longer during a day.

Senator Stimatz asked what you would do with the person the other half of the day.

Mr. Linnell said that we would simply hire a .5 FTE person working an evening shift--probably 5-9 or 6-10 shift.

Senator Keating asked if this is a \$20,000 job.

Mrs. Feaver said that the salary is about \$17,000.

Senator Keating asked what grade this would be?

Mrs. Feaver replied that it would be a Grade 12.

Senator Dover asked why do you need more supplies and materials and subtract the services if he is carrying out a process that has to continue to be done. Why would you attach it to him.

Mr. Linnell said we are anticipating that this person would provide the extra services, contracting services, primarily the charges to interact with the main frame downstairs. When you connect with them additional time and additional money, material is increased.

Senator Dover said this is costing us \$1,000 a year extra because we work him overtime. Mrs. Feaver said it is work that wouldn't be done if we didn't run the machines longer.

Seantor Stimatz asked what is done with all the information?

Mrs. Feaver stated: We provide the legislators a lot of information. We monitor income tax returns; we audit people; we compare tax

returns filed in Montana with those filed from Montana with the IRS; we go after people with delinquent taxes; we monitor our liquor inventory. In every one of our programs, we have computerized systems. We have 1,000 employees and 200 offices besides Helena; and all of them need information to do their jobs well. We also have to provide information to taxpayers. When they call up and ask the reason for the delay of their refund, we have to be able to find out if we received the return and where the refund stands. If they filed their withholding tax, they call back and say, "You just sent me a letter saying I didn't file my withholding tax return" or "You didn't get my payment"-- we have to be able to provide them a fairly ready response.

#### Budget Modification

Mrs. Feaver said that page 6 of Exhibit 3 is a modification that says that we will be able to continue to pay for the software that runs the word processing system. We have done a cost benefit analysis. Because we have eliminated five positions in our budget request after implementation of the word processing system, those five positions over a five-year period more than pay for all the cost of our word processing equipment and software. This is part of that software that is paid for by the deletion of the positions.

Senator Van Valkenburg asked if we could take a few minutes and talk about the word processing situation. According to the LFA writeup, the purchase of the word processing equipment was outside the scope of what we authorized in the last session and the money was apparently taken from either Rent or Vacancy Savings. Mrs. Feaver was asked to fill him in.

Mrs. Feaver said that during the past fiscal year, we probably spent six to nine months studying what we should do in word processing, if anything. By the time we were approaching the end of the fiscal year, our managers were excited about the whole concept. They were trying to save money in their budgets so we could do this. I would have liked to have had every division pay for its own terminal on what we thought was going to be a rateable portion of the central computer costs and the central software costs. Some divisions had disproportionate amounts of money left over and others had completely spent their budget.

Senator Van Valkenburg said you apparently have seen the cost benefit analysis on this and have been convinced that it is cost effective. We didn't get to participate because the decision was made during the biennium rather than in the appropriations process. It looks to me that we are saying, "Here is \$30,000 just for software modification that needs to be made to the word

processing equipment. I don't know where these five FTE's were eliminated from the budget because from what I can see, we have a current level FTE request. Then we are talking about adding FTE's for other purposes.

Mrs. Feaver said that this particular software request--this is the annual rent on the software word processing. This cost and also the other costs that I have been mentioning to you in various budgets were considered in the cost justification. We are not asking for typewriters anymore. The contract I have with our division administrators is when we get this system fully implemented, which probably won't be for another year, we have many applications going but it takes a lot of use and training and then designing your own applications before you implement it. It will be next fiscal year before we will be receiving the full benefit. We have taken two FTE's from Income Tax; .5 from Research and Information; 1 FTE in Motor Fuels, 1 FTE in Legal, 1 FTE in the Liquor Division.

(Tape 67, Side B)

Chairman Quilici stated that you are deleting 5.5 FTE's over a five-year period.

Mrs. Feaver said they are gone in this budget request. We more than recoup in Salary Savings all of the software and equipment costs. We are asking for decreased FTE's so instead of 49.5 in this division, we ask for 49.

Senator Dover said you ask for 49 and yet in reviewing your request, you ask for four in one place and .5 in another.

Mrs. Feaver said they are for different purposes.

Senator Dover said the other thing--we are paying five years that we would normally budget out for FTE's, we are going to have to pay that whole bill right now.

Mrs. Feaver said no. We purchased terminals and the central computer support. We have already bought most of the equipment--about \$250,000. But annually we are going to have to pay for maintenance contracts on the terminals just as we would maintenance contracts on the IBM typewriters. And, annually, we are going to have the rental fee on the software that runs the word processors.

Senator Dover asked how much more does that cost than the payments you would have on typewriters? It seems like that software maintenance is quite an item. You are hooked into this.



Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 17

Mrs. Feaver said if you look at one-half of a Grade 12 person, one-half of a person costs \$11,000 so this software is 1-1/2 people's worth. One and one-half persons is the annual cost of the software. We have cut 5.5 for the equipment.

Senator Keating said you are giving up 5.5 FTE's so that the salary savings will justify the payment for the equipment but then you are putting on 4.5 more FTE's. You are adding more costs to the system.

Mrs. Feaver said we are requesting people to do keypunching for property tax.

Senator Keating said he understood what they are doing. It is just more money.

Mrs. Feaver said if we are going to continue to collect taxes in Montana, we are going to have to pay more money to do the job because there are more and more people who don't want to pay taxes and there are more taxpayers.

Senator Keating said what we are doing is spending more tax money to raise the taxes to spend more tax money.

Mrs. Feaver said that what we are doing is funding an administration program so that we can share the tax burden equitably among each other. You determine who is going to pay taxes and what the law is going to be but I have to say that all of you in this room have paid your fair share and I have to have the tools to do that if we are going to maintain creditability in the system.

Chairman Quilici said we make the tax laws. You just interpret the tax laws and collect the taxes to the best of your ability and whatever equipment we give you is how you are going to collect those taxes.

Mrs. Feaver said the return on the investment is phenomenal. For every dollar we put into the administration of the property tax, we get something like \$100 back in taxes. For every dollar that you put into the income tax system, you get \$30-40 back. In corporation tax, the ratio is higher. What I am really concerned about is that everybody pays his fair share and if we don't have the money to administer the programs, then that is not going to be the case.

Senator Stimatz said you are saying you need this data processing and that would enable you to do your job more efficiently and at no greater and even lesser cost than if you stayed with the FTE's.

Mrs. Feaver said that is correct. We would maintain at the lesser cost.

Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 18

Senator Stimatz asked if we have the 34% problem under control. Is it part of your effort on reappraisal to keep this from happening again?

Mrs. Feaver stated that is correct.

Mrs. Feaver stated that in a reappraisal, for us to avoid another 34% hike situation, we have to go out there and look at every home and get a reasonable value on the homes and on the commercial property. If we don't get the resources to complete the job on time, we will be back in massive litigation.

Senator Keating asked if the home appraisal was as of 1-1-82 and the last time homes were appraised was in the 1960's? *appraisal*  
Mrs. Feaver said the values for homes were 1972 and 1976 values for commercial.

Senator Keating said that is a ten-year period. So all of the homes are going to have a higher value. Will the tax rates stay the same?

Mrs. Feaver said that is up to you. We will be coming back to you next session, assuming that we get the job done, and saying, "Here is what reappraisal has done to the agricultural values, commercial property and residential property, etc." If you want to change the tax rates, the taxable percentages, that is up to you next session. You will have an opportunity to do that before the tax bills are calculated. They are not calculated until the following summer.

Chairman Quilici asked when property values decline in a depressed area, does the value of the houses decline? There are a lot of houses in our community that a year ago could have sold for \$50,000 and now, I don't think you could give them away. Do you take that into consideration?

Mrs. Feaver said that Montana's residential property tax system is on a cyclical basis. We put a value on once every cycle and that is it, unless the taxpayer appeals. The taxpayer can appeal their value this year in your community and if the County Tax Appeal Board agrees that the appraised value is too high for that house, the County Tax Appeal Board will lower it.

Senator Keating said it would be the appraised value as of the given date--not the current date. The Appeals Board can't change the date of appraisal, right?

Mrs. Feaver said that is right but they can change your assessed value this year.

Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 19

Senator Keating stated they could change it but only on the basis of the appraisal as of 1-1-82.

Mrs. Feaver said they can decide that based upon your community's economic conditions and what houses are selling for today, that that appraisal back then is no longer valid and can lower it for that reason.

Mrs. Feaver said that the final modification request (Exhibit 3, page 7) is for two people to assist us in developing needed additional software. We are in a great deal of need. Because of our reorganization and more aggressive administration program on our natural resource taxes, we need to get some decent computer systems. Natural Resource taxpayers report to us the same figures for a variety of taxes--net proceeds taxes, severance taxes, RIPT--various kinds of things. If we could, with a computer, see that they are reporting the same date on every tax return, we could do a much better job of administering those taxes. If we had better computerized systems for our Natural Resource taxes, we could also use those systems to select companies for audit where they are reporting things that seem out of line with what we would expect.

Just in the income tax system alone, we have 19,000 delinquent taxpayers who owe us \$8 million. I can't get management reports at this time via the computer to show us what we are doing on our Accounts Receivable. Neither can our administrator. We are doing a very poor job because of poor management information, of monitoring our efforts and collecting amounts that are owed the state. We need to rewrite our Accounts Receivable system so that management can monitor our work there.

Probably the most visible system that we need some major overhauling on is our Withholding Tax System in the Income Tax Division. Our employers in our state are accustomed to being able to call companies like Montana Power and say, "What was my meter reading?" "What was my last payment?" "What was my last charge?" and Montana Power people can pull up on a screen your account history and they have processing updates, probably nightly. What you paid yesterday shows on your account. Employers call us and they expect us to be able to tell them the same thing. Our processing is far behind. It is hard for employers to understand when they call us and say, "I think my account is messed up. Didn't you receive this payment?" We say, "Call us back in two or three months and we can tell you." It makes employers angry because they expect us to be in the 1980's along with them. We are a large company and we are expected to have large sophisticated systems.

We are having increased problems with employers not paying us withholding taxes that they have withheld from their employees. It is their employee's money that is owed the state. Increasingly, employers withhold who are in financial trouble. If we don't have decent systems, those people can be down the road before we ever find out they didn't pay their employees' money. Then their employees get in a jam because we never got the withholding money. We go after the employer rather than the employee but it ends up being a very unhappy situation for a lot of people. We need decent systems to be able to monitor the withholding. These two individuals, we believe, would be able to do the development in the biennium for these major systems that I have just described.

Senator Keating asked if this was not the kind of thing you could contract with Systems Development in the Department of Administration.

Mrs. Feaver said we probably could but it would cost more. They have a per hour charge that includes their overhead, etc. Putting two employees on our staff who could carry these things through for years to come will result in a better payoff.

Senator Keating asked if they were at maximum load.

Mrs. Feaver replied she did not know.

Representative Lory asked what grade these positions would be.

Mrs. Feaver replied they would be a Grade 15 and a Grade 16.

There was some discussion as to what to do with the \$50,000 discussed on page 137 (page 40 of Exhibit 3) which was the changing of the computer from 8130 to 8140.

#### Legal Division (Exhibit 5)

Mrs. Feaver said in this division we have a variety of functions of programs. Included in this portion of the division is our legal work, our welfare fraud investigation, our Medicaid Fraud Investigation, and our liquor investigation program. We have six offices outside of Helena for this division and we have investigators stationed at each of these locations. We have one legal administrator, twelve people in the investigations function, (eight investigators, two administrative people and two support people who do typing and the accounting); four attorneys, one paralegal who does research, rules and bankruptcies, two support people in the Legal Bureau, four people in Medicaid Fraud (an attorney, an auditor, an investigator and a support person) and a .5 administrative aide. This is the other half of the support person that is in my office. We have twenty-five right now with 24.5 requested for '84. Regarding "operating Expenses", during the last session when you were considering our budget, you knew

Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 21

and we talked about how the Medicaid Fraud Program was going to change the funding level from the federal government. They were going to go from a 70-30 to a 75-25 basis and you considered that when you took care of our budget for the past biennium. We have four people in Medicaid Fraud and that is the minimum program requirement that the federal government will allow. If we have less, the threat is that we lose our Medicaid money from the federal government which would be a monumental consequence. But what the fiscal analyst did, and I don't understand this, they didn't realize we had already talked last session about the federal government pulling back their percentage share funding. What this \$12,000 is, is the additional General Fund money that the Medicaid Fraud program requires.

Chairman Quilici said they would look at that before they go into Executive Action. Mr. Roessner stated that the amounts of \$12,000 and \$57,000 represent the Medicaid Fraud funding issue of the General Fund. The federal government is going from a 90-10 split to a 75-25 split. Our budget maintains that program at the current level general fund for 1982. It doesn't increase it to the 75-25 split and that is what that \$12,000 figure is. It is a funding issue.

Mrs. Feaver said she did not disagree that it used to be 90-10 but last session, you made it 75-25; because we knew about this last session and it was a budget issue last time. Right now, our funding for that program is fine. It looks like the budget analyst didn't realize that you had considered it last session.

Mr. Roessner said that the analyst did not know the 75-25 split.

Ms. May said that if you look at the OBPP General Fund, it is less than the LFA. The difference seems to be in other funds.

Supplies and Materials

Mrs. Feaver said in the line item of "supplies and materials", the difference is primarily gasoline for investigators as a result of requiring more visits to licensees. We investigate to see that people who are purveying liquor in our state, i.e., a service station that sells off-premise beer and wine, (a grocery store does the same, or a bar) are selling Montana tax products; we see that they have fire exits; we see that they have a safe facility and are not endangering the public health; we see that they are not serving to minors; we see that they are not serving after hours; and that, in general, they are complying with the laws of the state. The other line item in our "Supplies and Materials" is our law books. We have to have annual updates to those. Our attorneys need to have the tools of their trade readily available to them.

In the "travel" line item, as you can see, our '83 budget was higher than our request for '84 but in the "travel" item, the money is for investigators to pay their per diem and their lodging to do the inspection for liquor, primarily. Our investigators are all-purpose investigators.

Senator Dover asked if we are in the area of individuals that investigate gold mines?

Mrs. Feaver said that our net proceeds auditors would be the people who would go there. In order to tax the gold that is being removed from the mine and the state, they have to station people at the mine. When you hear our corporation tax and natural resource budget request, you will realize why we don't do that.

Senator Keating said they are a licensed corporation and they file an annual report and you can usually find out from their annual report the amount of gold that they take out.

Rep. Lory asked if the travel was all in-state.

Mrs. Feaver said that their attorneys have attended some out-of-state seminars. Their corporation tax attorney goes to the Multi-state Tax Commission meetings and seminars. We do have some out-of-state travel, primarily for training; but all of our investigators work is in-state. Medicaid Fraud is required also to go to out-of-state meetings for all the Medicaid Fraud people. All the federal people get to make out-of-state trips.

#### Equipment

Mrs. Feaver stated that included in the LFA's budget is a new car for eight field investigators but there is no office equipment for the various field offices.

(Tape 68, Side A)

She stated that the Council on Management recommended regarding the Welfare Fraud Bureau that three additional investigators should be hired. (Exhibit 6) In the Welfare Fraud area, it is easy to recoup more than your costs are. One of the statistics portrayed was that we had 173% workload. We currently have a three-year backlog of welfare fraud cases. Because of the deterrence effect of this program, you can't look at your absolute collections versus what you are spending. You have to assume there is some payoff.

Senator Van Valkenburg asked if the Council on Management people considered the added costs to the judicial system by having these

Additional investigators churn up more work for judges, public defenders, the prison, etc. Mrs. Feaver said that was not included in their calculations. Senator Van Valkenburg asked who the Council on Management people were who were looking at this.

Jon Meredith stated their names were Mr. Bruce Simon, who is with a department store in Billings, and Mr. Rick Thomas, an analyst who was, at that time, employed by Montana Power Company, neither one of whom had anything to do with the legal system.

Child Support Enforcement Program (Exhibit 7)

Mrs. Feaver said this program is more a social service program than it is a revenue collection function, although in recent years, both the federal government and our state have been emphasizing that the program needs to return more than the cost. Last session, the Executive Budget included a proposal that if the program made \$1.05 for every dollar spent, that in the second year of the biennium, they could add four investigators. The funding split last session was 75-25 (25% General Fund money). October 1, 1983, the federal government went to 70-30. In effect, we couldn't add the four investigators, even though you had given us the authority to and we made a good bit more than the \$1.05 because we did not have enough General Fund money to make up that 5% federal funding cut for most of this fiscal year. You gave us the four investigators. The Executive budget has in it a recommendation that the program continue at the current level FTE's which includes the four investigators that the program earned by their return investment for 43. If you choose to staff the program at the 42 FTE level, that means that you will be putting in 20% increase in General Fund money--5% increase in the total program. The program collects child support money from absent parents who have a child support obligation for the child. The primary emphasis of the program is to collect from the absent parent where the mother and the children were forced to go on welfare. This is a federally encouraged program and one of the ways they encourage the states to have the program is by giving you more of a return on your original investment.

The secondary purpose of the program and one that is required by the federal government is that we also go after child support from people who aren't on welfare. For that, we charge a fee for the collections that we make. In addition to that, one of the purposes of the program is to establish paternity so that we help establish the child support obligation in the first place. Offices are established in Billings, Great Falls, Missoula, Butte and smaller offices in Miles City and Helena.

There is also a county child support project in Kalispell that is funded through this program.

Senator Keating asked if it is only federal welfare or federal aid to dependent children that is recovered or is there some state money that is also involved.

Jon Meredith said the current funding for AFDC is approximately 60% federal and 40% state. We recover all of those monies through the child support collections. We pay back the federal government something less than their 60% contribution. They let us retain more than 40% as an incentive to stay in the program.

Representative Connelly said she had had a lot of complaints from people (women) who are not getting their child support because of unemployment.

Mrs. Feaver said the case load here is phenomenal and as the economy has gotten worse, the case load has increased. The emphasis of the program is to go for a return on the investment so then go after those individuals who are most likely to be able to pay and that ends up leaving a lot of mothers on welfare.

Chairman Quilici asked if a father has moved to Florida and has a good job, do you pursue the possibility of getting child support from him.

Mrs. Feaver said you can only expect limited effectiveness-just like it is very hard to collect income tax from someone who lives out of state.

She stated looking at the differences between the LFA's recommendation and the OBPP budget request, the salary difference is the four investigators that were added contingent upon their making \$1.05 return on the General Fund investment last session. The "Contracted Services" difference is the cost of paternity determination which is in the range of \$400-500.

Mrs. Feaver continued that in the "communications" area, it appears that the LFA does not take into account the outside-of-Helena telephone costs. I believe the difference of \$6,000 between the LFA and the OBPP is because we have these branch offices outside of Helena where the telephones are more expensive.

#### Rent

In the "rent" budget, we did not include in our budget request last session, a substantial portion of the rent costs for this



program so we ended up having to pay the rent out of other funds. Again, the difference in the "rent" category is for building rent based on actual costs of these various offices that we are in. In the "other expense" category, the difference is for training costs. One of the problems that we have in this program is the accounting. We have to account for the people who are on AFDC and those who are not. Every collection that we get has to be split with the federal government and whoever paid the welfare in the first place. Or if the person was not on welfare, we have to have an accounting system to make sure that the money is going to get back to the father. The accounting is rather complex and the computerized accounting system that we have right now does not work. We are requesting \$40,000--30% of that would be General Fund money--to redesign the accounting system.

Income Tax Division (Exhibits 8 and 9)

Mrs. Feaver said the Income Tax Division is one of the largest divisions in the department. We have 69.15 FTE's and that is what we are requesting for FY84 and 2.5 fewer for FY85. The difference in FY 84 between the OBPP budget and the LFA's budget is for an aggregate position which is a tax season aggregate position.

In the "Contracted Services" area, the difference in our budget request and the LFA is for computer charges, about \$5,000, and access to the computer.

Another thing we have in the income tax processing is an alphabetical listing of taxpayers on microfilm. If you want to know if somebody filed a tax return or they called in and said, "I have lost the copies of my last three tax returns", you can go and look up their name, figure out if you every got their tax return and where it is.

One of the things that the Council on Management was impressed by was how \$160 million a year is collected by 69 people. The employers, through the employer withholding, are a very large part of why this is such a cost-effective program for the state. The Income Tax Division has a separate division for withholding and there are separations for the technical aspects of dealing with the income tax and for all of the administrative services that support the income tax property systems.

In the "Supplies and Materials" area, the difference here is attributable to the LFA saying that we spent more than was in our operating plan in 1982; therefore, we should be cut back. In 1982, actual materials costs were \$28,568 and I would maintain to you that our requests for FY 84-85 is not unreasonable. We have to have supplies to make the system work.

Chairman Quilici asked where she would pick up the other \$7,000.

Ken Morrison said tht it came out of "Contracted Services".

In Communications, the difference between the OBPP and the LFA is \$44,289 in postage and the remainder is local telephone charges that will be more expensive than the Helena system. The \$44,000 in postage is attributable to the new federal requirement that said we must start sending out 1099's or information returns to everyone who receives a state tax refund. That is a completely new requirement that is going to cost us about \$80,000 a year--printing the forms and mailing them out (Exhibit 8, page 3).

The next item of concern is "travel". The reduction, from a request in the LFA's budget, is attributable to out-of-state field examinations of non-resident returns.

She said they have sixteen income tax people in their audit and examining staff. In the withholding area in 1982, they had six people.

In the "Other Expense" category, the difference between their request and the LFA's budget is training. In the income tax area, training is a very important aspect of being able to do their job better.

(Tape 68, Side B)

The other major difference in their budget request and the LFA's recommendation is in the "equipment" area. They relate to an additional terminal which would tie into their computerized files and an integrated filing system for filing their hundreds of thousands of income tax returns.

Ken Morrison said the integrated filing system that Mrs. Feaver is referring to is a filing system for their Withholding Section. In dealing with 25,000 employers each quarter, they are required to file an annual reconciliation statement. We get 125,000 plus returns in our Withholding Section each year. Being a small staff, we have a need to have access to records frequently. Right now, we have to go to six different locations to put together a year's worth of data on an employer. We want to consolidate those records into a single efficient filing system. As withholding brings in a large portion of the income tax dollars, it is very important to have access to data that they have and be able to react to that data. We are looking at an open-shelf filing system with numerical identification of the file using employer identification numbers, color codes, etc., that will give us easy access.

Senator Keating stated that the recommendations are to do away with the Withholding Bureau and merge it with something else.

Minutes of the Meeting of the Appropriations Sub-Committee on  
Elected Officials and Highways, February 11, 1983, Page 27

Mrs. Feaver said that Management Council recommended that we combine the Withholding Bureau with one of the other bureaus in the Income Tax Division. What they said in their recommendation, "Get your withholding records and your processing up-to-date so it is all running smoothly." Mid 1985 is when we anticipate we will be able to do that. There was some discussion as to the function of the Withholding Bureau.

Mr. Morrison stated that the filing system they are talking about is \$15,000. The other part is the computer terminal.

On page 8 of Exhibit 8, Mrs. Feaver said we are asking for 6.5 FTE's to do improved compliance both to go after people who are not filing income tax returns at all and also to go after the employers who, in many cases, are withholding money from their employees and keeping it themselves. The benefits of these 6.5 FTE's which, in adding all the expenses, are \$120,000 in the first year and a decreased amount in the second year because of equipment already being purchased. We believe that this \$120,000 in the first year and the continuing cost of those people will pay back \$1.3 million annually. The return on investments is excellent.

The more we enforce compliance for all the citizens, the more the tax burden is shared by all the people; and, invariably, the honest taxpayer should have a reduced tax burden because you are picking up the fair share of those who would otherwise cheat. We would assign 4.5 FTE's to withholding tax work where we are having growing compliance problems. Two of the FTE's would concentrate on the income tax compliance work.

One of the areas in the income tax compliance work that is very aggravating is dealing with the tax protestor--the person who sends in a form and writes, "I can't complete this because it violates my fifth amendment rights." The next tactic is to cause the state to spend phenomenal amounts of money dealing with the appeals process. We write them a notice; we estimate their tax; then, they go through the administrative appeals process.

One of the things they tried to do during the biennium was to get together with Workmens' Compensation and with Unemployment Insurance so that a joint audit program could be started. Instead of having three sets of auditors go look at employer's payroll records to see that all three of those tax responsibilities were being handled properly, resources would be pooled and the work would be done as one. The real problem with that is that they don't have any resources.

Discussion was held regarding people who are violating the law by not paying their taxes.

Minutes of the Meeting of the Appropriations Sub-committee on  
Elected Officials and Highways, February 11, 1983, Page 28

Senator Keating suggested that the department get some press coverage regarding collecting a percentage of taxes which are delinquent. If you could find a selective court case that you could win, you could get some publicity that way.

Senator Van Valkenburg asked Mrs. Feaver if she had anyone in her department that does public relations work--press relations, etc.

Mrs. Feaver said no.

Senator Van Valkenburg said as Senator Keating is saying--if you develop a public attitude that this is not something you can get away with, the cost benefit of that may be enormous. There are people you can hire who know how to deal with the Associated Press, the Great Falls Tribune, and the Billings Gazette who can get reporters, editors, and television people that say, "The Department of Revenue really doesn't have a bad idea here."

Mrs. Feaver said she thought it was a good idea. She didn't foresee that there would be a very positive response from a group of legislators in comparison to where they could show an absolute dollar return.

Senator Van Valkenburg suggested we get Paula Walker to talk with Mrs. Feaver regarding a public relations person as to the type of person we would need for that position.

Senator Van Valkenburg asked Ms. May if all of the modifications that are being proposed are built into the Executive budget.

Ms. May replied they were.

Senator Van Valkenburg asked what about the forecasted revenue collections. Are those built into the Executive's total revenue expectations?

Ms. May replied yes. Mrs. Feaver said that when they sat down to go through their budget requests initially, the people in the Budget Office asked, "why these costs? We are going to add the revenue also. All of these revenues are in the Executive revenue forecasts. If you don't decide to fund the cost modifications needed, reduce the revenue estimates."

Mrs. Feaver, on page 148 of Exhibit 8, said they were requesting two people in the collections area. Collections people man a phone all day long, calling people up--arranging payment; bugging

people as to why they haven't paid and acting as collectors, just like private collection agencies would do. Two collectors who would cost us \$43,000 a year and would collect an additional \$1 million in income taxes. At the end of September, we had 17,000 outstanding accounts worth \$8 million.

On page 150, we have a request for redesign of the present withholding tax data processing system. The system reports are out of date; there is a high error rate; our corrections via the system we have now take up to six days and it is a very inefficient system. In modernizing this system, we will be able to use our people better and collect an additional \$200,000 a year.

On page 151, we are requesting 1.5 FTE's to do field audits in withholding to visit the employers. Businesses that move into our state for a short time have payrolls in the state and then move out. We have a lot of difficulty getting those people to withhold our state tax on employees and remit it to us.

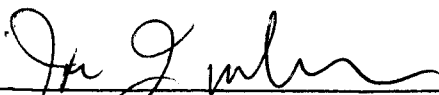
(Page 10 of Exhibit 8)

We have a request for the redesign of our accounts receivable system. The \$17,000 is for the cost that would be incurred in the Income Tax Division for the development of those programs. If we had a better reporting system for the Accounts Receivable, we would increase our collections; management would be able to set priorities better; we will be able to print tax statements automatically with our computerized systems and provide information for auditors.

(Page 11 of Exhibit 8)

This is the only recommendation in our modified requests that was not recommended by the Council on Management. One of the things that is very important for taxpayer compliance and also to assist the citizens of our state who have a difficult time coping with individual income tax, just filling out forms, is to provide some level of taxpayer assistance. With 1.5 FTE's to provide taxpayer assistance, we would employ these people on an aggregate basis during the three months tax-filing season. We would station these people in four different locations and two people would be circuit riders, primarily to travel the eastern part of the state. In addition, we would increase our toll-free lines to Helena so that people would be able to call in, ask questions and get help over the phone. At the same time, we are requesting staff so that we can clamp down on cheaters and tax avoiders, we are going to be providing help for Montanans.

The meeting was adjourned at 11:30 a.m.

  
JOE QUILICI, Chairman

ADDITIONAL AMOUNTS TO BE BUDGETED FOR SECURITY, FY 84-85

	<u>FY 84</u>	<u>FY 85</u>	<u>Bienn.</u>
1. Additional Personnel			
FTE	1.00	1.00	1.00
Salary (Grade 14)	\$20,176	\$20,099	
Benefits	<u>3,735</u>	<u>3,720</u>	
Total Personal Services	<u>23,911</u>	<u>23,819</u>	
2. Airport Security*	7,746		
3. Mansion Security	7,900		
4. Capitol Security Improvements	7,500		
5. Additional Training for Personnel	<u>1,000</u>		
Subtotal, Non-Personnel	<u>24,146**</u>		
TOTAL	\$48,057	\$23,819	\$71,876
BALANCE IN 82-83 BIENNIUM			<u>51,529</u>
"NEW MONEY" NECESSARY			<u>\$20,347</u>

\*Airport security would benefit entire "red hangar" which belongs to the Highway Department.

\*\*Suggest a biennial appropriation.

STATUS OF 1982-83  
APPROPRIATIONS FOR SECURITY

Appropriations

FY 82 Department of Administration	\$60,000
FY 82 Governor's Office	36,000
FY 83 Governor's Office	<u>36,000</u>

<u>Total Appropriations</u>	\$132,000
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Expenses

FY 82 Department of Administration	39,762
FY 82 Governor's Office	13,209
FY 83 Governor's Office (Estimated)	<u>27,500</u>

<u>Total Expenses</u>	<u>80,471</u>
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Estimated June 30, 1983, Balance of Funds Appropriated for Security	<u>\$ 51,529</u>
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DETAIL OF EXPENDITURES  
SECURITY APPROPRIATION

Department of Administration

Consultant Fees	Big Sky Security	\$ 323.00	
	Burns Integrated	<u>4,000.00</u>	
Total			\$ 4,323.00
Security Hardware	Allen Electric	30,161.65	
	A & L Company	199.25	
	Consel Electric	110.22	
	Western Security	1,723.00	
	Motorola	1,090.00	
	General Electric	<u>1,773.85</u>	
Total			35,057.97
Miscellaneous			<u>380.95</u>
Total Expenditures, Department of Administration			<u>\$39,761.92</u>

Governor's Office, FY 82

Reimburse Department of Administration:

Salaries	\$ 9,746.70	
Benefits	2,103.34	
Travel	158.01	
Overhead	<u>1,200.80</u>	
Total		<u>\$13,208.85</u>

Governor's Office, FY 83 (Estimated)

Reimburse Department of Administration:

Salaries	\$20,376.73	
Benefits	4,279.12	
Travel	362.16	
Overhead	<u>2,481.99</u>	
Total		<u>\$27,500.00</u>



Exhibit 2  
2-11-83

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION  
PROGRAM : 22 SRS BLDG AMORT & MAJ MTN  
CONTROL : 00000

**CURRENT LEVEL SERVICES ONLY**

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2000	OPERATING EXPENSES		-251,760	-251,760	—, —, —		-266,865	-266,865	—, —, —
2500	RENT		198,957	198,957	—, —, —		210,894	210,894	—, —, —
2700	REPAIR & MAINTENANCE	19,132	52,803	33,671	—, —, —	19,132	55,971	36,839	—, —, —
	TOTAL LEVEL	19,132		-19,132	—, —, —	19,132		-19,132	—, —, —
	TOTAL PROGRAM	19,132		-19,132	—, —, —	19,132		-19,132	—, —, —
04005	SRS BUILDING DEBT SERVICE	19,132		-19,132	—, —, —	19,132		-19,132	—, —, —
	TOTAL PROGRAM	19,132		-19,132	—, —, —	19,132		-19,132	—, —, —

**COMMENTS :**

Exhibit 3  
2-11-83

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 03 RESEARCH & INFORMATION DIVISIO  
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	Budget FY 83	ORPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	ORPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	49.50	49.00	47.50	-1.50	---	49.00	47.50	-1.50	---
1100	SALARIES	851,548	871,740	849,257	-22,483	---	868,416	846,185	-22,231	---
1400	EMPLOYEE BENEFITS	166,313	126,141	110,938	-15,203	---	127,223	112,802	-14,421	---
1500	HEALTH INSURANCE	---	47,040	45,600	-1,440	---	47,040	45,600	-1,440	---
	TOTAL LEVEL	1,044,921	1,044,921	1,005,795	-39,126	---	1,042,679	1,004,587	-38,092	---
2100	CONTRACTED SERVICES	85,230	69,796	74,193	4,397	---	61,264	78,641	17,377	---
2200	SUPPLIES & MATERIALS	2,025	24,676	8,382	-16,294	---	26,156	8,883	-17,273	---
2300	COMMUNICATIONS	11,323	9,966	11,542	1,576	---	11,786	13,455	1,669	---
2400	TRAVEL	1,387	6,603	4,275	-2,328	---	6,859	4,392	-2,467	---
2500	RENT	163,524	73,325	67,647	-5,678	---	78,931	71,704	-7,227	---
2700	REPAIR & MAINTENANCE	17,080	19,328	19,257	-71	---	20,488	20,410	-78	---
2800	OTHER EXPENSES	5,427	8,637	5,638	-2,999	---	8,891	5,973	-2,918	---
	TOTAL LEVEL	290,996	212,331	190,934	-21,397	---	214,375	203,458	-10,917	---
3100	EQUIPMENT	3,000	33,698	500	-33,198	---	13,389	500	-12,889	---
	TOTAL LEVEL	3,000	33,698	500	-33,198	---	13,389	500	-12,889	---
	TOTAL PROGRAM	311,996	1,290,950	1,197,229	-93,721	---	1,270,443	1,208,545	-61,898	---
01100	GENERAL FUND	732,432	968,213	857,216	-110,997	---	952,833	865,318	-87,515	---
06005	LIQUOR DIVISION	379,505	322,737	340,013	17,276	---	317,610	343,227	25,617	---
	TOTAL PROGRAM	1,111,937	1,290,950	1,197,229	-93,721	---	1,270,443	1,208,545	-61,898	---

ISSUES: Recommended Changes to LFA Budget

1. Personal Services - Add 2.00 F.T.E. for data entry operators each year
2. Supplies & Materials - Add \$16,294(84) and \$17,273(85) to maintain FY 82 base expenditures
3. Travel - Add \$2,328(84) and \$2,467(85) for travel related to training
4. Other Expenses - Add \$2,999(84) and \$2,918(85) for training to maintain qualified programming personnel
5. Equipment - Add \$33,198(84) and \$12,889(85); the requested equipment is essential to the effective operation of Data Entry and Word Processing Systems in the Department.

## Explanation of Current Level Issues

### 1. Personal Services

Amount - 2 FTE for data entry operators each year

Reason - During FY'82 two data entry FTE were changed from single FTE positions to aggregate (99000) FTE positions. This was done to more easily track movement through the data entry series. These were authorized Research and Information Division positions and were not moved into the division from other areas.

### 2. Supplies and Materials

Amount - \$16,294 (84) and \$17,273 (85)

Reason - The Computer Services Division (CSD) of the Department of Administration changed their billing method for computer paper during FY1982. This change shifted the cost from contracted services (it was part of the computer charges) to supplies and materials (we now buy our paper outright). In FY'82 we "overexpended" our supplies and materials budget by \$17,972 while at the same time we "under expended" our contracted services by \$26,305. The LFA did reduce our contracted services but did not add it back into supplies and materials.

### 3. Travel

Amount - \$2,328 (84 and \$2,467 (85)

Reason - Travel in FY'82 was primarily used for training of programmer/analysts and systems analysts. Because well trained d. p. professionals are difficult to find and this technical field is constantly changing, training is the only way to maintain an effective and efficient staff. Because of the remoteness of Montana, out-of-state travel is often required to get needed training.

### 4. Other Expenses

Amount - \$2,999 (84) and \$2,918 (85)

Reason - This category is directly related to (3) travel. Registration fees and tuition for the above mentioned training make up the bulk of these expenses.

### 5. Equipment

Amount - \$33,198 (84) and \$12,889 (85)

Reason - During the 82-83 biennium the Research and Information Division entered into several agreements to purchase data processing equipment which had previously been rented or leased. Because of this decision, the division will reduce the cost of keeping this equipment by approximately \$20,000 in FY'85 and by nearly \$34,000 each year thereafter. The LFA did reduce our rent category by \$42,000 but did not put anything back into the equipment category.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 135

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 03 RESEARCH & INFORMATION DIVISIO  
CONTROL : 00031 7 DATA ENT. OPER.

MODIFIED LEVEL SERVICES ONLY

AE/QE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	4.00		-4.00		4.00		-4.00	
1100	SALARIES	43,868		-43,868		43,700		-43,700	
1400	EMPLOYEE BENEFITS	6,348		-6,348		6,402		-6,402	
1500	HEALTH INSURANCE	3,840		-3,840		3,840		-3,840	
	TOTAL LEVEL	54,056		-54,056		53,942		-53,942	
2100	CONTRACTED SERVICES	256		-256		271		-271	
2200	SUPPLIES & MATERIALS	128		-128		136		-136	
2800	OTHER EXPENSES	360		-360		360		-360	
	TOTAL LEVEL	744		-744		767		-767	
3100	EQUIPMENT	800		-800					
	TOTAL LEVEL	800		-800					
	TOTAL PROGRAM	55,600		-55,600		54,709		-54,709	
01100	GENERAL FUND	55,600		-55,600		54,709		-54,709	
	TOTAL PROGRAM	55,600		-55,600		54,709		-54,709	

This modified would provide for 4 FTE in both FY84 and FY85. These FTE are necessary to enter the data required for the residential property reappraisal effort. Without this modification, the Research and Information Division could continue to enter all data for the Department except the residential data.

**MODIFIED LEVEL SERVICES ONLY**

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
3100	EQUIPMENT	50,000		-50,000		52,500		-52,500	
	TOTAL LEVEL	50,000		-50,000		52,500		-52,500	
	TOTAL PROGRAM	50,000		-50,000		52,500		-52,500	
01100	GENERAL FUND	50,000		-50,000		52,500		-52,500	
	TOTAL PROGRAM	50,000		-50,000		52,500		-52,500	

COMMENTS : This modification would allow the Department of Revenue to upgrade current computer facilities to allow preprocessing (entry and edit) of reappraisal data. Without this modification the Department of Revenue would pay approximately \$75,000 per year to the Computer Services Division for processing of residential data. Thus, this modification would allow the Division to have better computer facilities and save approximately \$25,000 per year.

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 03 RESEARCH & INFORMATION DIVISIO  
CONTROL : 00033 COMP OPERATOR-2ND SHIFT

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	.50		-.50		.50		-.50	
1100	SALARIES	8,540		-8,540		8,508		-8,508	
1400	EMPLOYEE BENEFITS	1,236		-1,236		1,246		-1,246	
1500	HEALTH INSURANCE	480		-480		480		-480	
	TOTAL LEVEL	10,256		-10,256		10,234		-10,234	
2100	CONTRACTED SERVICES	56		-56		59		-59	
2200	SUPPLIES & MATERIALS	899		-899		953		-953	
	TOTAL LEVEL	955		-955		1,012		-1,012	
	TOTAL PROGRAM	11,211		-11,211		11,246		-11,246	
01100	GENERAL FUND	11,211		-11,211		11,246		-11,246	
	TOTAL PROGRAM	11,211		-11,211		11,246		-11,246	

This modification would add a second shift operator for our current computer facilities. This operator is necessary to continue the effective and efficient operation of computer facilities for word processing, processing of residential reappraisal data (see Control Item 00032), and provide an operator for evening polling of point-of-sale cash registers.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 03 RESEARCH & INFORMATION DIVISIO  
CONTROL : 00034 WORD PROC. EQP & OPERATOR

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2100	CONTRACTED SERVICES	29,746		-29,746	---	31,531		-31,531	---
	TOTAL LEVEL	29,746		-29,746	---	31,531		-31,531	---
	TOTAL PROGRAM	29,746		-29,746	---	31,531		-31,531	---
01100	GENERAL FUND	29,746		-29,746	---	31,531		-31,531	---
	TOTAL PROGRAM	29,746		-29,746	---	31,531		-31,531	---

COMMENTS : This modification is for the software which our 8100/DOSF word processing system depends upon. Without  
this software our Departmentwide word processing system would cease to run.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 141

AGENCY : 5001 DEPARTMENT OF REVENUE  
PROGRAM : 03 RESEARCH & INFORMATION DIVISION  
CONTROL : 00036 2 PRGMERS-DEV; PROJ

AC/OE	DESCRIPTION	OBPP FY 84	LIA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LIA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	2.00		-2.00		2.00		-2.00	
1100	SALARIES	40,830		-48,838		48,650		-48,650	
1400	EMPLOYEE BENEFITS	7,067		-7,067		7,127		-7,127	
1500	HEALTH INSURANCE	1,920		-1,920		1,920		-1,920	
	TOTAL LEVEL	57,825		-57,825		57,697		-57,697	
2100	CONTRACTED SERVICES	3,370		-3,370		3,572		-3,572	
2300	COMMUNICATIONS	690		-690		808		-808	
2400	TRAVEL	1,000		-1,000		1,000		-1,000	
2500	RENT	562		-562		596		-596	
2700	REPAIR & MAINTENANCE	450		-450		478		-478	
2800	OTHER EXPENSES	180		-180		180		-180	
	TOTAL LEVEL	6,252		-6,252		6,634		-6,634	
	TOTAL PROGRAM	64,077		-64,077		64,331		-64,331	
01100	GENERAL FUND	64,077		-64,077		64,331		-64,331	
	TOTAL PROGRAM	64,077		-64,077		64,331		-64,331	

This modification would provide the Research and Information Division two additional Programmer/Analysts for new systems development. At this point in time three projects are planned for these two Programmer/Analysts. These three new systems are: 1) Rewrite of the Department's ten-year-old Accounts Receivable System; 2) The development of a Natural Resource and Corporation Database System; 3) Modification of the current withholding system to allow on-line processing of data. Without these two Programmer/Analysts, the above-mentioned development projects would have to be deferred until the 1986-1987 biennium.



- Miscellaneous Tax - Administers the state inheritance tax program, processing approximately 5,000 requests annually. Cigarette, store license, telephone company and other tax programs are managed as well.

These four divisions are successfully fulfilling assigned goals. However, responsibilities in the understaffed Income Tax Division are not aligned properly. Inadequate penalty rates are applied. The Natural Resource and Corporation Tax Division's efficiency is reduced because available natural resource data must be manually retrieved. In addition, a complicated organizational structure and excessive supervision hinder operations in the Miscellaneous Tax Division.

## Recommendations

### **314. Increase Income Tax Division staffing.**

Because work loads in several sections exceed staff capabilities, opportunities to maximize revenue collections are missed. To reverse this trend, 10 positions — two in the compliance section of the Examining Bureau; two in the collection section of the Administrative Services Bureau; and six in the audit section of the Withholding Bureau — should be added immediately. Implementation will cost approximately \$211,000 annually. However, improved efficiency will increase yearly tax collection income by an estimated \$2-million.

### **315. Eliminate the Withholding Bureau in the Income Tax Division.**

Currently, Withholding Bureau activities are concentrated on installing a computerized system and removing a case backlog. When both goals are achieved, the work load will diminish significantly. At that time, the Withholding Bureau should be eliminated. The Examining Section should be added to the Examining Bureau, but accounts receivable and general accounting activities should be transferred to the Administrative Services Bureau. Implementation will align related functions, stimulate cooperation, and eliminate one bureau chief position for an annual saving of \$33,000.

### **316. Expand the estimated tax payment requirements.**

Currently, Montana law requires self-employed taxpayers to file an estimated tax return but the law excludes farmers and ranchers. Furthermore, penalties are not assessed against those who do not pay. This encourages taxpayers to delay payments until the required filing date. Therefore, the farmer and rancher exemption should be abolished and a penalty established for failure to pay estimated taxes. Implementation will increase timely payments and improve cash flow, generating an additional \$1.5-million in annual income.

### **317. Adopt the federal overdue tax interest rate.**

Currently, the interest rate charged on overdue taxes is 9%. This encourages taxpayers to withhold payments because they can earn more by investing funds in high interest bearing instruments. The rate charged by the federal Internal Revenue Service is more realistic and provides an incentive to pay on time. Thus, legislation should be enacted to automatically adopt the current federal rate. Implementation will conservatively increase annual income by \$550,000.

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 04 LEGAL DIVISION  
CONTROL : 00041 LEGAL AND INVESTIGATION

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	BUDGET FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	25.00	24.50	23.00	-1.50	---	23.50	23.00	-.50	---
1100	SALARIES	558,125	544,617	522,891	-21,726	---	532,685	520,898	-11,787	---
1400	EMPLOYEE BENEFITS	113,731	80,494	74,245	-6,249	---	79,636	75,317	-4,319	---
1500	HEALTH INSURANCE		23,520	22,080	-1,440	---	22,560	22,080	-480	---
1800				-57,320	-57,320	---		-58,634	-58,634	---
	TOTAL LEVEL	664,856	648,631	561,896	-86,735	---	634,881	559,661	-75,220	---
2000	OPERATING EXPENSES			-11,991	-11,991	---		-12,266	-12,266	---
2100	CONTRACTED SERVICES	49,707	13,692	10,950	-2,742	---	14,514	11,598	-2,916	---
2200	SUPPLIES & MATERIALS	24,786	28,968	25,116	-3,852	---	31,325	27,154	-4,171	---
2300	COMMUNICATIONS	22,185	30,200	27,869	-2,331	---	35,084	32,306	-2,778	---
2400	TRAVEL	22,715	21,836	17,762	-4,074	---	22,397	18,175	-4,222	---
2500	RENT	592	28,561	20,685	-7,876	---	30,873	21,926	-8,947	---
2700	REPAIR & MAINTENANCE	5,223	9,671	8,793	-878	---	10,251	9,314	-937	---
2800	OTHER EXPENSES	2,486	3,969	6,229	2,260	---	3,985	6,600	2,615	---
	TOTAL LEVEL	127,694	136,897	105,413	-31,484	---	148,429	114,807	-33,622	---
3100	EQUIPMENT	9,485	10,490	9,200	-1,290	---	11,020	10,325	-695	---
	TOTAL LEVEL	9,485	10,490	9,200	-1,290	---	11,020	10,325	-695	---
	TOTAL PROGRAM	803,035	796,018	676,509	-119,509	---	794,330	684,793	-109,537	---
01100	GENERAL FUND	325,255	334,328	345,138	10,810	---	333,619	349,539	15,920	---
03048	LEGAL BUREAU	59,855	55,721	41,623	-14,098	---	55,603	42,168	-13,435	---
03051	WELFARE FRAUD	57,268	55,721	53,516	-2,205	---	55,603	54,215	-1,388	---
03053	LEGAL/MEDICAID FRAUD	112,710	111,443	35,375	-76,068	---	111,206	35,345	-75,861	---
06005	LIQUOR DIVISION	246,957	238,805	200,857	-37,948	---	238,299	203,526	-34,773	---

ISSUES: Recommended Changes To LFA Budget

1. Para-legal Position & .50 Clerical - Add 1.50 F.T.E. for Para-legal and Administrative Aide (84&85)
2. Contracted Services - Add \$2,742(84) and \$2,916(85) to cover cost of expected computer legal research charges

04 Legal Division  
Continued

3. Supplies & Materials - Add \$2,984(84) and \$3,163(85) for gasoline to fund investigators travel and for books and reference materials needed for yearly updates to existing sets of legal books
4. Travel - Add \$4,074(84) and \$4,222(85) to cover travel for investigators
5. Repair & Maintenance - Add \$878 (84) and \$937(85); maintenance on word processing equipment
6. Equipment - Add \$1,290(84) and \$695(85) for modest equipment replacement
7. Funding - Based on FY 82 the funding ratios for FY 84 and FY 85 should be approximately as follows based on the OBPP budget:

		*	
01100	General Fund		48.2%
03048	Federal - Child Support - 70/30	5.1	
03051	Federal - Welfare Fraud - 50/50	7.5	
03053	Federal - Medicaid Fraud - 75/25	11.8	
06005	Liquor	27.4	
			<hr/>
			100.0%

\* Federal/State Funding Ratios

- Medicaid Fraud Funding

## DISCUSSION OF ISSUES

Control: 00041 Legal and Investigation

FTE - During the last several years a department paralegal position has become more and more necessary. Magnitude of caseload has been such that a research assistant and draft opinion writer (much like those in private firms) can provide enough relief for attorneys to spend more productive hours in actual document preparation, negotiation and litigation. Bankruptcy files and administrative rule procedures have also achieved such importance and reached such proportions they need constant attention. The paralegal position was determined to be a priority position in the summer of 1982.

The Welfare Fraud Investigations program requires a full time secretary (it should be noted the investigations program was required to give up an FTE last biennium).

Contracted Services - In addition to normal contracted services (liquor testing, finger print identification, medical expert testimony, hand writing analysis) the division wishes to take advantage of the Westlaw computerized research tool available in the Supreme Court Law Library. Eventually this rapid search capability could save a considerable amount of money (primarily book expenditures).

Supplies and Materials - In order to maintain the required level of liquor regulatory activity and continue with welfare fraud investigations throughout the entire fiscal year the requested amount of gasoline funds is needed. For the past two years the investigations program has had to curtail necessary activity in May and June because the supplies and material budget was in danger of being overspent. Law book set additions are becoming more frequent and more expensive. In order to maintain library currency the legal bureau requires funding for law books.

Travel - As the investigations program now has a full compliment of investigators and is trying to maintain at least a minimum level of services, the travel funds requested are needed.

Rent - It is understood by the division, rent amounts for this cost center will be reconciled.

Repair and Maintenance - In order to maintain the new IBM word processing equipment (3732 terminal, 5210 printer) the funding level requested is necessary.

Equipment - The amount recommended by the LFA is not sufficient to meet the cost of replacement or new vehicles (trade-in values are nominal) and the need for even modest office equipment replacement.

Legal/Medicaid Fraud Funding - The issue in this area becomes the very existence of the Medicaid Fraud Control Bureau (not just current level funding). Federal regulation sets a minimum personnel requirement for establishing and maintaining a state unit. The four person bureau in Montana just meets the minimum requirement and the amount recommended by the LFA will not fund such a group. (See attachment A).

Overall Funding - Based on FY 82 the funding ratios for FY 84 and FY 85 should be approximately as follows:

01100	General Fund	48.2%
03048	Federal - Child Support	5.1
03051	Federal - Welfare Fraud	7.5
03053	Federal - Medicaid Fraud	11.8
06005	Liquor	<u>27.4</u>
		100.0%

JUSTIFICATION FOR CONTINUED FUNDING OF THE  
MEDICAID FRAUD CONTROL BUREAU

The Montana Medicaid Fraud Control Bureau was established in late 1979 as a result of federal legislation providing for the creation and funding of state medicaid fraud units. Under federal and state laws the Bureau investigates alleged instances of fraud committed by medicaid providers (nursing homes, pharmacies, doctors, dentists, psychologists, etc.), prepares files for prosecution, and in most cases prosecutes the offenders.

Funding: During its first three years of operation the Bureau was 90% federally funded and the state contribution was 10%. Federal participation after three years was originally scheduled to drop to 50%, the same level as for other medicaid administrative expenses. However, in 1980 Congress determined state medicaid fraud units important enough to justify an increase in the permanent federal funding level to 75%. This funding level for the Montana Bureau commenced January 1, 1983 and the 25% state match for the second half of the 1983 fiscal year was provided in the 1982-83 biennium budget.

Federally Mandated Personnel Requirements: Minimum personnel requirements for medicaid fraud units are specified in federal law. The Bureau is presently operating with the minimum staff required; i.e. one attorney, one investigator, and one auditor, with one secretary to serve the three of them. The budget proposed by the Legislative Fiscal Analyst would eliminate essential staff, result in federal decertification of the Bureau, and cause the loss of the approximately \$90,000 as federal funding for the Bureau. Maintenance of the required number of personnel and level of operations is dependent upon funding of the Bureau at least in the amount proposed in the Governor's budget.

Bureau Performance: Investigations by the Bureau have resulted in six criminal convictions. Additionally in 1982 the Bureau documented \$77,234 in overpayments to providers and to date \$44,571 has been recovered. In 1981 the Bureau documented \$88,690 in overpayments to providers, of which \$77,669 was recovered. Thus, total overpayment identified by the Bureau for the two year period was \$165,924, while Montana's portion of Bureau funding for the period was \$22,000.

The Bureau has not attempted to estimate the deterrent effect of its prosecutions and investigations.

Continued Need for the Bureau: The investigation and prosecution of medicaid fraud requires detailed knowledge and skill in the investigation of complex and secretive schemes for defrauding the medicaid program. In recommending federal funding of state medicaid fraud control units, the Commerce Committee of the United States House of Representatives stated:

"The committee wishes to emphasize the need for the employment of highly skilled auditors, attorneys, and investigators specially trained in the area of medicaid fraud. The committee has received substantial evidence of the complex schemes employed by those engaging in fraudulent activities and notes that the only way such practices can be effectively addressed is by utilizing persons specially skilled in uncovering these activities."

Virtually no prosecutions of medicaid provider fraud took place until specialized state medicaid fraud units were established. In 1980, when Congress increased the permanent federal funding level to 75%, the House Commerce Committee again emphasized the need for specialized, dedicated medicaid fraud control units.

Montana medicaid expenditures for fiscal 1983 are currently estimated at \$80 million dollars. It is popularly estimated that fraud and abuse in medicaid programs account for 10-25% of total medicaid expenditures. While there is good reason to doubt these high estimates apply in Montana, even a substantially lesser rate of fraud and abuse still means significant amounts of state and federal medicaid dollars are lost by the Montana program every year.

Present Operations: Given the experience and knowledge gained in the past three years the Bureau anticipates making even larger contributions in future years. The caseload is determined by referrals from other state and federally agencies and the Bureau is aggressively promoting closer cooperation and coordination with those agencies in order to foster increased and earlier detection of potential fraud. Included in those efforts are investigations coordinated with the FBI and with other federal and state agencies. At present the Bureau is investigating annually that number of cases having enough dollar potential for recovering overpayments equal to or greater than the Bureau's total budget.

Approved: \_\_\_\_\_ Director, Bureau of the Montana Department of Social Services

Special Agent in Charge, Bureau of the Montana Department of Social Services

Montana Department of Social Services, Helena, Montana 59615

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OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 144

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 04 LEGAL DIVISION  
CONTROL : 00402 3 INVESTIGATORS LIQ WEL. FRD

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	3.00		-3.00		3.00		-3.00	
1100	SALARIES	55,404		-55,404		55,191		-55,191	
1400	EMPLOYEE BENEFITS	8,189		-8,189		8,251		-8,251	
1500	HEALTH INSURANCE	2,880		-2,880		2,880		-2,880	
	TOTAL LEVEL	66,473		-66,473		66,322		-66,322	
2100	CONTRACTED SERVICES	1,686		-1,686		1,786		-1,786	
2200	SUPPLIES & MATERIALS	1,675		-1,675		1,829		-1,829	
2300	COMMUNICATIONS	2,494		-2,494		2,607		-2,607	
2400	TRAVEL	1,500		-1,500		1,500		-1,500	
2700	REPAIR & MAINTENANCE	562		-562		596		-596	
2800	OTHER EXPENSES	303		-303		321		-321	
	TOTAL LEVEL	8,220		-8,220		8,639		-8,639	
3100	EQUIPMENT	8,960		-8,960					
	TOTAL LEVEL	8,960		-8,960					
	TOTAL PROGRAM	83,653		-83,653		74,961		-74,961	
01100	GENERAL FUND	41,827		-41,827		37,481		-37,481	
03051	WELFARE FRAUD	41,826		-41,826		37,480		-37,480	
	TOTAL PROGRAM	83,653		-83,653		74,961		-74,961	

All Line Items - The investigations program (especially Welfare Fraud) field staffing has needed bolstering for some time. Caseload has continued to climb to the point where the welfare fraud section is facing a three year backlog. When one considers the backlog along with the 173% per annum increase in collections using current staff, a modest staffing increase could well lead to a sizeable gain in return on investment. (See attachment B).



DEPARTMENT OF REVENUE  
WELFARE FRAUD UNIT

PROGRAM ACTIVITY REPORT

The Department of Revenue Welfare Fraud Program provides support service for the Department of Social and Rehabilitative Services. The Department of Revenue, when requested, investigates allegations of welfare fraud. This activity is performed in compliance with Section 53-2-501, MCA.

At the present time the Welfare Fraud Unit is comprised of a unit supervisor, a secretary, and the equivalent of two additional investigators. The investigative function is assigned on a percentage of available time to the investigative field staff which is comprised of eight investigators located in six regional offices. With the budget available these investigators devote 20% of their total work hours to welfare fraud. This activity has been very successful in terms of overall accomplishment, but when considered with the magnitude of the problem not enough investigative time is available to handle welfare fraud in Montana. Over a two year period the Department investigated 449 cases of which 127 were filed with county attorneys and an additional 55 involved voluntary repayments. The collections arranged through this effort amounted to \$237,484.40 plus an additional \$76,867 currently pending with county attorneys for a total figure of \$314,353.00 (see attached).

Welfare fraud in Montana has increased dramatically in the last two years. The number of cases requiring investigation went from 53 in 1979 to 247 in 1981. With this type of increase in caseload and no additions to staff, the backlog is rapidly building. The backlog as of June 30, 1982 was 336 cases of potential fraud. Over the two year period from July 1, 1980 to June 30, 1982 the average dollar return per case referred was \$700.00. The projected loss to the state welfare program would be \$235,200.00 in cases that cannot be investigated at current staffing levels. For these reasons the Department is asking for the three additional FTE's and the funding necessary to provide adequate operation of the program. The Welfare Fraud Unit has been quite cost effective over the past two years and will continue to be just as cost effective with additional staff.

The following information is a program overview for a period from July 1, 1980 to June 30, 1982.

Program Budget for Period 7-1-80 to 6-30-82

FY81	\$126,670
FY82	<u>103,849</u>
Total Budget	\$230,519

Funds Identified in Fraud and Overpayment Cases  
from 7-1-80 to 6-30-82

Collections arranged through County Attorney actions	\$181,466.73
Voluntary repayment	56,017.67
Cases filed with County Attorneys	<u>76,867.00</u>
Total	\$314,353.40

Ratio of Fraud Identified and Filed to Program Budget

<u>Cases filed</u>	<u>Cost of program</u>	<u>Return</u>
\$314,353.40	\$230,519	1.36

Total Cases Involving Fraud from 7-1-80 to 6-30-82

County Attorney Action	
Successful prosecution with restitution	67
Successful prosecution without restitution	5
Deferred prosecution with restitution	17
Repayment arranged for	5
Unsuccessful prosecution	<u>1</u>
	95
Voluntary repayment	55
Currently filed with County Attorney Offices	<u>32</u>
Total	182

DEPARTMENT OF REVENUE  
WELFARE FRAUD UNIT  
SUMMARY OF INVESTIGATION ACTIVITY  
July 1, 1980 to June 30, 1982

BACKLOG OF CASES AS OF JULY 1, 1980	360
NEW CASES RECEIVED DURING REPORTING PERIOD	425
CASES CLOSED DURING FRAUD PERIOD*	449
BACKLOG OF CASES AS OF JUNE 30, 1982	<u>336</u>
TOTAL CASES AVAILABLE FOR INVESTIGATION	785

\*METHODS OF CLOSING CASES

CASES WITH RECOVERY ARRANGED BY:	
CLOSURE THROUGH COUNTY ATTORNEY ACTION	127
CLOSURE WITH VOLUNTARY REPAYMENT AGREEMENT	<u>55</u>
TOTAL CASES WITH RECOVERY	182
CASES CLOSED WITHOUT PROSECUTION OR RECOVERY BY REASON OF:	

INSUFFICIENT EVIDENCE TO PROVE FRAUD	129
OUT OF JURISDICTION	26
REFERRED IN ERROR	22
RETURNED TO S.R.S. FOR CIVIL ACTION	20
OTHER	<u>70</u>
TOTAL CASES CLOSED WITHOUT RECOVERY	<u>267</u>
TOTAL CASES CLOSED	<u>449</u>

# Department of Revenue

**Fiscal 1982 Budget:** \$120.8-million, including \$900,000 in federal funds.

**Positions Authorized:** 1,010.

**Positions Filled:** 917.

**Chief Operating Officer:** Director.

**Reporting Structure:** The director reports to the Governor and supervises nine divisions.

The Department of Revenue administers tax programs, operates the state's liquor enterprise, assesses property, and investigates welfare fraud. The director supervises two deputies and the administrators of two major divisions — Liquor and Property Assessment. The deputy directors oversee activities in seven other divisions. One is in charge of the four tax divisions — Income Tax; Natural Resource and Corporation Tax; Motor Fuels; and Miscellaneous Tax. The second deputy supervises the following three staff divisions:

- ☐ Research and Information - Develops and supports department-wide data processing systems needs.
- ☐ Legal and Enforcement - Investigates welfare and Medicaid fraud, enforces child support obligations, and provides legal services.
- ☐ Centralized Services - Manages accounting, personnel, payroll and other required support functions.

These three divisions are discussed here while Liquor and Property Assessment are addressed in subsequent reports. Another section entitled Operations discusses the four tax divisions.

The department's support service agencies are well run and generally efficient. However, enforcement activities are hampered by heavy case backlogs. Also, no cost/benefit analyses are conducted to justify data processing system proposals.

## Recommendations

### **295. Initiate cost/benefit analyses on proposed systems developments.**

The department does not have a formal system for evaluating the cost/benefit of new systems development or enhancements. Therefore, authorizations are made and priorities established without sufficient information.

To ensure optimum effectiveness, the department should require a cost/benefit analysis for each proposal. Before approval, the net program saving should be compared to alternative investments. Implementation will improve planning and give priority status to high return proposals.

### **296. Increase the investigative staff in the Welfare Fraud Bureau.**

The number of required investigations in the Legal and Enforcement Division's Welfare Fraud Bureau is increasing. Many cases are backlogged,

allowing inefficient use of state funds to continue. To solve this problem, three additional investigators should be hired at an estimated annual cost of \$90,000. However, the increased annual income to be attained will be about \$135,000 since each investigator normally saves \$1.50 for each support dollar. Furthermore, fear of discovery diminishes the number of improper claims.

Since increased staffing will discourage criminal activity, a 2% reduction in the welfare cost will be anticipated. Prevention of potential fraud could save \$2.2-million annually but is not claimed. Therefore, a vigorous implementation effort is encouraged.

#### **297. Restructure the Child Support Enforcement Bureau.**

This bureau in the Legal and Enforcement Division locates absent parents and enforces legal obligations for financial support. The federal government pays approximately 75% of the cost of this service in exchange for a share of collections. Despite federal support, the program is not cost effective. Of the 12,000 cases on file, only about 1,500 are paying support on a regular basis.

To maintain services and reduce expenses, the following measures should be implemented:

- ☐ Combine program services and support payment activities into one Administration Unit, eliminating five positions.
- ☐ Reduce staffing in each of the four field offices to one investigator and one administrative assistant. Field offices would report to a new Investigation Unit headed by an attorney. Consolidation will eliminate an additional 17 positions.
- ☐ Purge the files of inactive and closed cases, then concentrate on an estimated 4,000 cases offering a higher success probability.
- ☐ Cancel plans for a statewide case management data base. The present system can handle projected needs after proposed changes.

Elimination of 22 positions will reduce office space requirements and operating expenses, particularly data processing, travel and vehicle costs. Revenue losses of approximately \$28,000 of state and \$67,000 of federal monies, or 10% of total collections, will result. However, the saving in salaries and operating expenses will total \$129,000 for the state and \$389,000 for the federal government.

## **Liquor Division**

The Liquor Division controls retail beer, wine and liquor sales throughout the state. It operates a network of 75 state-owned retail outlets with 219 authorized employees including 27 current vacancies. The administrator supervises an additional 40 employees engaged in controlling 73 private-

REPORT FOR  
DATE: 01/06/83  
TIME: 16/25/25

OFFICE OF BUDGET  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 04 LEGAL DIVISION  
CONTROL : 00042 LEGAL-CHILD SUPPORT (ENF)

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	BUDGET FY 83	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	39.0	43.00	39.00	-4.00	---	43.00	39.00	-4.00	---
1100	SALARIES	614,201	691,068	631,211	-59,857	---	689,196	628,805	-60,391	---
1400	EMPLOYEE BENEFITS	126,559	101,172	89,809	-11,363	---	102,139	91,102	-11,037	---
1500	HEALTH INSURANCE		41,280	37,440	-3,840	---	41,280	37,440	-3,840	---
	TOTAL LEVEL	740,760	833,520	758,460	-75,060	---	832,615	757,347	-75,268	---
2100	CONTRACTED SERVICES	62,155	73,779	66,070	-7,709	---	78,206	70,027	-8,179	---
2200	SUPPLIES & MATERIALS	29,440	18,783	18,786	3	---	20,029	20,030	1	---
2300	COMMUNICATIONS	50,854	65,836	59,780	-6,156	---	77,587	69,884	-7,703	---
2400	TRAVEL	13,775	11,824	13,911	2,087	---	12,060	14,233	2,173	---
2500	RENT	43,440	50,127	39,944	-10,333	---	53,654	42,337	-11,317	---
2700	REPAIR & MAINTENANCE	3,046	4,175	4,165	10	---	4,427	4,410	-17	---
2800	OTHER EXPENSES	3,000	7,166	4,563	-2,603	---	7,363	4,834	-2,529	---
	TOTAL LEVEL	205,710	231,840	207,219	-24,721	---	253,326	225,755	-27,571	---
3100	EQUIPMENT	7,600	3,000	2,700	-300	---	3,000	2,400	-600	---
	TOTAL LEVEL	7,600	3,000	2,700	-300	---	3,000	2,400	-600	---
5200	FROM FEDERAL SOURCES	0	120,000		-120,000	---	120,000		-120,000	---
	TOTAL LEVEL	0	120,000		-120,000	---	120,000		-120,000	---
6100	FROM STATE SOURCES	0		120,000	120,000	---		120,000	120,000	---
	TOTAL LEVEL	0		120,000	120,000	---		120,000	120,000	---
	TOTAL PROGRAM	954,010	1,188,460	1,088,379	-100,081	---	1,208,941	1,105,502	-103,439	---
01100	GENERAL FUND	250,916	320,538	242,095	-78,443	---	326,682	246,375	-80,307	---
03050	CHILD SUPPORT	703,154	747,922	726,284	-21,638	---	762,259	739,127	-23,132	---

ISSUES: Recommended Changes To LFA Budget

1. Personal Services - Add 4.00. Investigators to return F.T.E. level to authorized base
2. Contracted Services - Add \$7,709(84) and \$8,179(85) to cover cost of paternity determinations
3. Communications - Add \$6,156(84) and \$7,703(85) for inflationary increases on telephone calls initiated outside Helena

Legal Division  
04  
Continued

4. Rent - Add \$10,333(84) and \$11,317(85) for building rent based on actual costs
5. Other Expenses- Add \$2,603(84) and \$2,529(85) for training costs
6. Funding Level - Include Federal/State percentage at 70/30

## DISCUSSION OF ISSUES

Control: 00042 Legal - Child Support Enforcement

FTE - The current FTE authorization for the CSEB is 43 and not 39 as has been indicated by the LFA report. The LFA was aware of the 1981 legislative contingency authorization and has granted at least tacit approval of the additional positions in subsequent meetings. Even though the bureau has been forced to operate 6-7 positions (overall) below full staffing due to the federal funding cutback in October, 1982, several of the four investigator positions have for the sake of efficient operation already been filled as vacancies occurred elsewhere.

Contracted Services - The requested amount of funding is also necessary in this area. With full staffing, paternity testing and paternity establishment will be possible again. Not only will this aspect of child support be reemphasized because it is desirable but because the federal auditors demand more activity in the area. The program is not in total compliance with federal regulation if only cosmetic attempts at paternity establishment are being made.

Communications - Evidently the LFA has not taken into account the fact a majority of phone contacts initiated by the bureau occur outside Helena. With four regional and two satellite offices in other than the Helena area, the smaller inflationary increase attributed to central office (because of a change in service) will not apply.

Rent - The inflationary increase suggested by the LFA in this line item is not adequate even without considering full staffing office requirements and newly executed rental agreements.

Other Expenses - Training is vitally necessary in the child support enforcement field due to the constant state of flux in federal regulation. Public assistance rules (federal and state) are revised quarterly and sometimes even monthly or weekly. Without update training errors occur, efficiency and therefore return drops, and the risk of penalty or decertification becomes greater.

Funding - It should be noted CSEB federal/state funding percentages are currently 70/30 and should be projected as such for the coming biennium.



REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 143

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 04 LEGAL DIVISION  
CONTROL : 00401 CHILD SUPP. SYSTEM

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2100	CONTRACTED SERVICES	40,000		-40,000	---				---
	TOTAL LEVEL	40,000		-40,000	---				---
	TOTAL PROGRAM	40,000		-40,000	---				---
01100	GENERAL FUND	12,000		-12,000	---				---
03050	CHILD SUPPORT	28,000		-28,000	---				---
	TOTAL PROGRAM	40,000		-40,000	---				---

COMMENTS : All Line Items -- The Child Support Enforcement Bureau has been using an automated case management system

(Bradford) for about five years. The system was originally designed in the early 1970's for use in

Massachusetts and efforts to adapt it to the Montana situation have not been fruitful. In general the

system is cumbersome, vastly outdated and does not produce useful and timely information. Its short-

comings have, thus far, been only partially overcome by much diligent effort on the part of program

personnel. This proposal seeks funding to develop a new, streamlined accounts receivable system

specifically designed for the needs of the bureau. Implementation of such a system would free staff

time which could be devoted to an increasingly productive collection effort. (See attachment C).

## Attachment C

FY 80 thru 82  
 Montana Child Support Enforcement  
 5801 - 0405  
 Total Costs And Net Collections

Quarter	FY 80 Total Cost	FY 81 Total Cost	FY 82 Total Cost	% Increase or Decrease FY 80 - FY 82
1st	172,407.00	183,338.00	197,495.00	
2nd	290,311.00	386,499.00	252,241.00	
3rd	269,411.00	248,383.00	295,550.00	
4th	305,421.00	331,839.00	322,700.00	
FY	1,037,550.00	1,150,059.00	1,067,986.00	
	FY 82% cost <u>increase</u> over FY 80 =			2.93%
	FY 82% cost <u>decrease</u> over FY 81 =			7.14%

Quarter	FY 80 AFDC NET Retained	FY 81 AFDC Net Retained	FY 82 AFDC NET Retained	% Increase or Decrease FY 80 - FY 82
1st	180,183.00	184,620.00	244,283.00	
2nd	190,872.00	213,786.00	242,461.00	
3rd	223,438.00	247,871.00	260,481.00	
4th	220,424.00	274,798.00	381,638.00	
FY	814,917.00	921,075.00	1,128,863.00	
	FY 81% distribution <u>increase</u> over FY 80 =			13.03%
	FY 82% distribution <u>increase</u> over FY 81 =			22.56%
	FY 82% distribution <u>increase</u> over FY 80 =			38.52%

Combined Total EffectivenessRatio Return % Cost

FY 80      FY 81      FY 82

County      .79      1.80      1.06

State      these figures are based on the coordinated with

Federal

Montana GeneralFund Effectiveness

G.F. Return	FY 80	FY 81	FY 82
% G.F. Cost	1.01	1.09	1.34

Fees charged for service  
 and deposited in the gen-  
 eral fund when credited.  
 Convert this ratio to  
 1.41.

add NADC fees

add incentives

\$1.59

REPORT EDSR100  
DATE: 01/08/83  
TIME: 16/25/25

OFFICE OF BUDGET & PROGRAM PLANNING

EXECUTIVE BUDGET SYSTEM

AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 373

Exhibit 8  
2-11-83

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 06 INCOME TAX  
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	ODPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	ORPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE) 69.15	69.15	68.15	-1.00	---	66.65	68.15	1.50	---
1100	SALARIES 1,069,267	1,133,627	1,133,015	-612	---	1,093,590	1,129,033	35,443	---
1400	EMPLOYEE BENEFITS 225,401	162,562	159,376	-3,186	---	158,789	161,727	2,938	---
1500	HEALTH INSURANCE	66,384	65,424	-960	---	63,984	65,424	1,440	---
	TOTAL LEVEL 1,294,468	1,362,573	1,357,815	-4,758	---	1,316,363	1,356,184	39,821	---
2100	CONTRACTED SERVICES 340,793	337,609	322,990	-14,619	---	357,563	342,366	-15,197	---
2200	SUPPLIES & MATERIALS 21,242	30,778	27,512	-3,266	---	32,733	29,255	-3,478	---
2300	COMMUNICATIONS 139,365	160,101	111,970	-48,131	---	180,446	126,306	-54,140	---
2400	TRAVEL 16,052	27,970	17,448	-10,522	---	28,574	17,802	-10,772	---
2500	RENT 52,822	58,419	55,961	-2,458	---	63,818	59,313	-4,505	---
2600	UTILITIES 1,873	2,144	2,143	-1	---	2,680	2,677	-3	---
2700	REPAIR & MAINTENANCE 4,984	7,844	9,154	1,310	---	8,314	9,698	1,384	---
2800	OTHER EXPENSES 2,150	8,752	4,184	-4,568	---	8,725	4,432	-4,293	---
	TOTAL LEVEL 579,281	633,617	551,362	-82,255	---	682,853	591,849	-91,004	---
3100	EQUIPMENT 10,350	38,509	10,959	-27,550	---	5,520	11,500	5,980	---
	TOTAL LEVEL 10,350	38,509	10,959	-27,550	---	5,520	11,500	5,980	---
	TOTAL PROGRAM 884,292	2,034,699	1,920,136	-114,563	---	2,004,736	1,959,533	-45,203	---
01100	GENERAL FUND 1,284,249	2,034,699	1,920,136	-114,563	---	2,004,736	1,959,533	-45,203	---
	TOTAL PROGRAM 2,034,699	2,034,699	1,920,136	-114,563	---	2,004,736	1,959,533	-45,203	---

ISSUES: Recommended Changes To LFA Budget

1. Personal Services - Add 1.00 F.T.E. each year for office clerk position deleted by LFA
2. Contracted Services - Add \$14,619(84) and \$15,197(85) to cover cost of operating on-line terminals, document destruction and printing
3. Supplies & Materials - Add \$3,266(84) and \$3,478(85) to cover normal cost of operating based on FY 82 base.
4. Communications - Add \$48,131(84) and \$54,140(85) for mailing of an information return to all Montana Taxpayers in January of 1984 and 1985 and for increased inflation on telephone charges
5. Travel - Add \$10,522(84) and \$10,772(85) to provide funds for out-of-state field examinations of non-resident returns

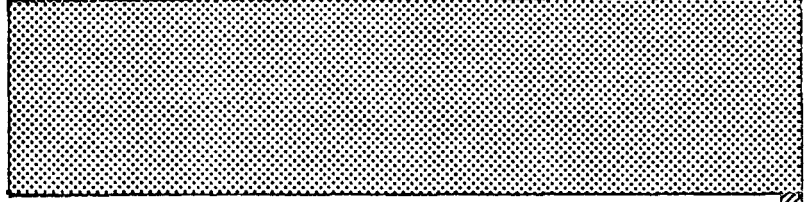
Income Tax Division

06

Continued:

- 6. Other Expenses - Add \$4,568(84) and \$4,293(85) to provide for employee training
- 7. Equipment - Add \$27,550(84) and \$5,980(85); Major expenditures will include an integrated file system and word processing terminal; the balance is for replacement equipment.

410.358



10.522



Cost/Revenue  
LFA Travel Cut

INCOME TAX DIVISION  
FY84 and FY85 Budgets

Reasons for opposing funding reductions proposed by the  
Legislative Fiscal Analyst

1. The proposed deletion of position no. 90002 will leave the division short of temporary employees for processing tax returns. Attachment #1 clearly shows that the division used all of the funding for position no. 90002 in FY 82. Employees hired in this position were paid (in error) from position no. 90600 which as a consequence was overexpended. Because of this clerical oversight, LFA has mistakenly assumed position no. 90002 is not needed.
2. The division must receive requested funding for printing, document destruction and on-line terminals to be able to fulfill statutory requirements. Without sufficient funds the division will be unable to destroy confidential tax records, properly collect and record taxes or access computerized tax records. On-line terminals are used to respond to questions from taxpayers about their refunds and filing problems, and to research tax files for audits.
3. To operate at FY82 levels the division will need all requested funding for materials and supplies. Without the funding, return processing and auditing can not be maintained at FY82 levels. Reductions in processing and audit will cause a decrease in tax collections.
4. If Montana is to be in compliance with the new federal laws for reporting state tax refunds, the division must receive funds for the postage needed to mail the required reports. Should funds not be provided, the department will be in the position of ignoring federal laws - a position that will probably result in legal action against the state by the federal government.
5. To cut out-of-state audit travel is to cut revenues from nonresident taxpayers. During the 1st half of FY83, the division assessed \$783,000 in additional taxes to nonresidents as a result of out-of-state audits; a revenue/cost ratio of \$39 to \$1, and a revenue/travel cost ratio of \$158 to \$1.
6. The division believes the reasonable request of \$90 per employee for training would provide future benefits of increased productivity.
7. If the division is to realize the full potential from its employees, they must be supported with functional, up-to-date equipment. A detail list of anticipated equipment needs was developed and is preferable to the arbitrary amount used by LFA.

The major equipment request of \$15,000 for a withholding tax filing system will permit additional tax assessments. The additional tax assessments should more than pay for the cost of the system.

Although the analyst has failed to recognize requested modifications for taxpayer assistance, accounts receivable system, on-line withholding system, and payroll examination, they are important programs which should be funded.

Justification for Including Modified Level Services in the Income Tax Division Budget for FY84 and FY85.

The FY84 and FY85 budget proposal for the income tax program includes six modifications to current level services. The Governor's Council on Management recommended five of those modifications as ways of improving the Income Tax Program. The sixth modification was not addressed by the council since it is a public service project which was outside the scope of the council's evaluation.

The proposed modifications will improve programs for the examination of tax records, compliance with state tax laws and collection of accounts receivables. Each of these programs is necessary in working toward the goal of equity among all taxpayers.

Because these modifications will result in tax revenues many times greater than the cost of the programs, these proposals could be viewed as revenue producing programs (within the existing tax structure). The programs will pay their own way and also, provide additional revenue to the general fund and the public schools equalization fund.

SEE ATTACHED GRAPH: Shows cost to revenue projections

Attachment #1

STATE OF MONTANA  
OFFICE OF BUDGET AND PROGRAM PLANNING  
POSITION CONTROL REPORT AS OF 06/30/82

REPORT 2427.1  
PCS FORM NO. 3

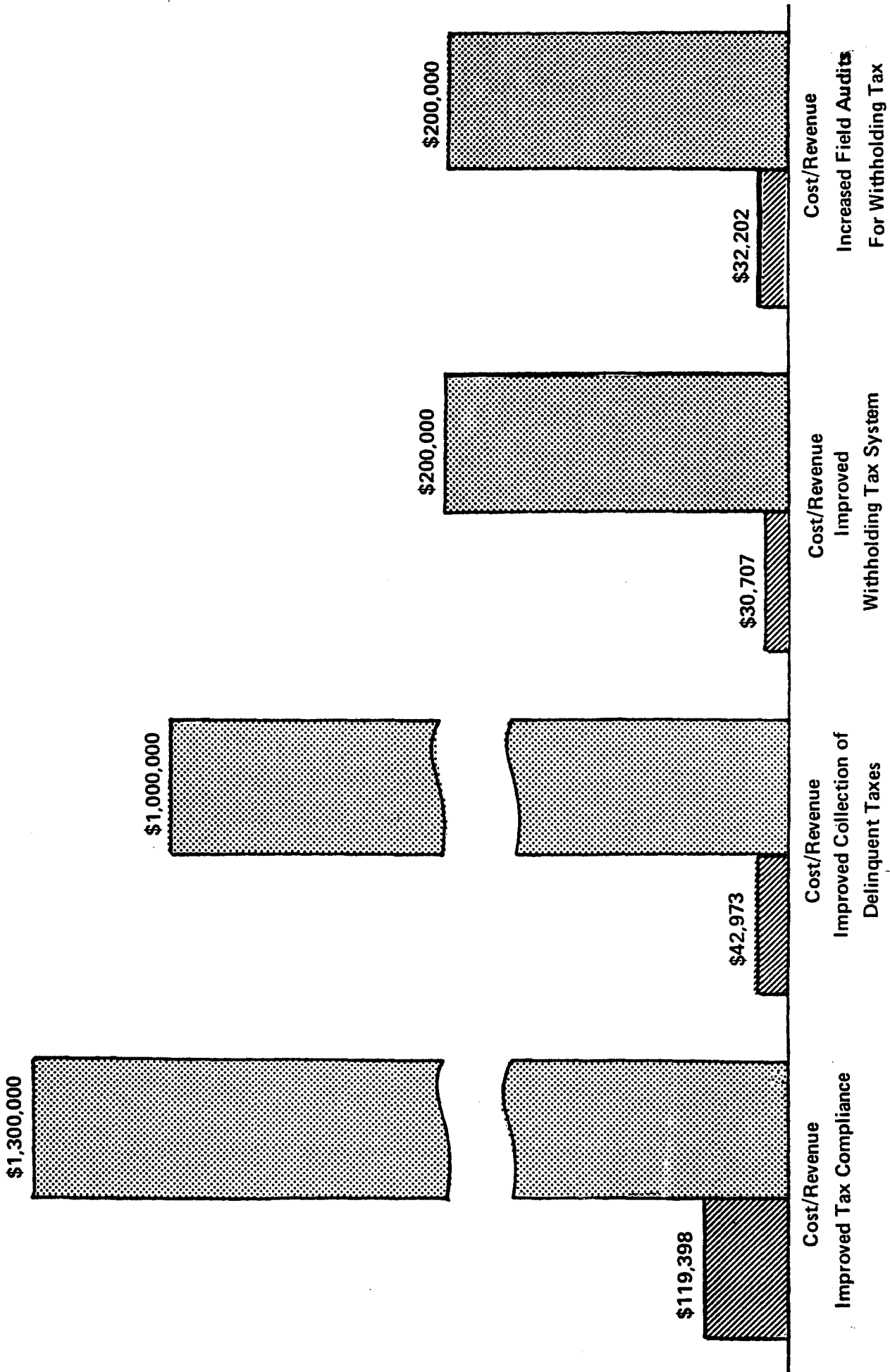
AGENCY 5801 DEPARTMENT OF REVENUE  
PROGRAM 06 INCOME TAX

POSTN NUMBR	SOC SEC NO	INCUMBENT NAME	CLASSIFICATN CODE	GR ST	UNIT	BUD LEV	FTE	BUDGET	FISCAL COP EXP	YEAR YTD EXP	BALANCE
6108	516-90-1788	BEALER/JULIE				00				107.11	
	517-66-0057	GORDON/SHELLAUGH W				00				173.52	
	394-64-4877	MADISON/KATHERINE F				00			117.91	7,597.17	
		POSITION TOTAL	209003	6	02	37	00	1.00	10,591	7,882.80	2,708.20
7901	570-90-6415	THIBODEAUX/CHERIE A				00				114.48	-114.48
90001	510-10-6320	MILLER/LUELLA				00				123.41	
	517-34-5210	BURKE/VIVIAN S				00				202.85	
	517-62-5208	SMITH/ELAINE M				00				119.72	
	517-70-5336	MOSBARGER/WAYNE				00				132.74	
	516-80-5787	NORDBERG/CARL S				00				186.65	
	358-40-0049	CUMLEY/KEVIN A				00				1,441.43	
	529-46-9827	CAIN/ROSE A				00			99.55	2,565.53	
	517-76-6839	LUKE/KAREN L				00			99.55	1,592.83	
	551-11-5400	GARNICA/LORRAINE				00			99.55	1,675.80	
		POSITION TOTAL	219005	5	07	37	00	2.15	21,874	8,146.97	13,733.03
90002	219005										
90202	517-62-1437	KITTLESON/SUZANNE M				00			132.73	132.73	-132.73
90600	517-88-3385	KEITH/JAMES M				00				103.83	
	509-42-5047	MOYER/DELLA				00				2,349.41	
	516-70-4597	BREED/GLENN D				00				1,374.84	
	517-10-9362	MORGAN/MERNA				00			445.69	6,962.73	
	504-20-8604	MILLER/LUELLA				00			105.00	7,015.68	
	516-18-6320	MCKNIGHT/BRENDA LEE				00			140.62	4,643.28	
	517-62-7372	MOSBARGER/WAYNE				00				862.79	
	517-70-5336	MULTIN/LORI				00				2,129.99	
	517-88-8453	KELLY/DENISE LUCILLE				00				2,730.05	
	517-02-0154	LAMPING/LUCY E				00				2,179.78	
	534-26-3050	DELLEBOVI/CHARLES J				00				2,368.10	
	217-50-6735	ANDERSON/MICHAEL W				00			62.35	4,161.99	
	517-84-5228	BOYER/CINDY L				00			43.55	2,733.52	
	539-70-3729	SMITH/ELAINE M				00			99.55	3,398.91	
	516-93-0043	KROLL/PAM				00			119.05	3,243.74	
	517-62-5208	HEPPNER/DIANN K				00				3,101.47	
	517-68-2047	CAMPBELL/GUYLA M				00			133.56	116.14	
	519-70-9635	WEBER/LOLA MAE				00			99.55	2,972.89	
	541-34-6598	SMITH/MYRNA A				00			141.44	2,756.35	
	516-35-1501	JOHNSON/ROBERT				00			99.55	939.56	
	541-98-2237	THIBODEAUX/CHERIE A				00				350.00	
	570-90-6415					00				1,084.70	
						00				573.44	



AGENCY 5801 DEPARTMENT OF REVENUE  
PROGRAM 06 INCOME TAX

POSTN NUMBER	SEC	SEC NO	INCUMBENT	NAME	CLASSIFICATN	GR ST	UNIT	BUD	LEV	FTE	BUDGET	CPP	EXP	FISCAL YEAR	YTD EXP	BALANCE	% EXP	ANNUAL RATE	STATUS
721-01-4601			STRUMBERG/WALTER					00							914.64				DO5253
517-82-1437			KITTLESON/SUZANNE M				37	00	2.00	19.078	1,539.91			57,455.51	607.68	-38,377.51	301		DO7058
POSITION TOTAL																			
*****CURRENT LEVEL SUBTOTAL																49,139.62	95		
99001	OVERTIME																		
145-03-5409			GAILUSHAS/MARY J					99							445.60				
258-04-6646			DICKSON/BEITH T					99							205.39				
394-04-4877			MADISON/KATHERINE F					99							119.59				
462-44-6977			MCCAULEY/MILDRED L					99							87.04				
504-20-8604			MORGAN/MERNA					99							3.28				
509-42-9047			KEITH/JAMES M					99							950.91				
510-16-6320			MILLER/LUELLE					99							37.34				
510-28-4603			RICHEY/ELLEN ELLA					99							445.60				
516-36-9161			VONBERGEN/LOIS V					99							99.99				
510-40-5479			JANES/ROBERT D					99							105.85				
516-32-7059			SCHULTZ/DONNA R					99							9.22				
510-00-4132			CARTER/MARY C					99							22.09				
516-74-0915			LEIKAM/TANNIA M					99							43.24				
510-70-0223			BENDER/CYNTHIA SMITH					99							42.87				
516-06-0643			PAYER/CINDY L					99							28.00				
510-92-1020			WILLIAMS/MARI					99							154.05				
517-34-5105			PAGE/MARY LOU					99							71.47				
517-34-5210			BURKE/VIVIAN S					99							139.43				
517-34-7579			BENGTSON/VELVA					99							91.17				
517-38-1748			HOBBS/LEMOYNE J					99							252.53				
517-46-5136			DEMPEY/BONNIE D					99							42.35				
517-40-7333			ROSE/EDWINA					99							239.89				
517-02-5268			SMITH/ELAINE M					99							18.67				
517-06-0057			GORDON/SHELLAUGH W					99							167.42				
517-70-5336			MOSBARGER/WAYNE					99							74.66				
517-72-4534			THOMAS/DRENDA					99							329.54				
517-73-9380			LARGENT/MARIA V					99							100.43				
517-84-5223			ANDERSON/MICHAEL W					99							18.67				
517-84-4807			SENN/DEBORAH K					99							51.59				
517-86-3293			BALKEMA/ROBIN DEE					99							77.92				
519-70-9635			HEPPNER/DIANN K					99							49.78				
539-46-9827			CAIN/ROSE A					99							105.78				
539-70-3729			BOWEN/VAL D					99							236.45				
540-76-7694			KELLER/WANDA					99							21.18				
541-34-6598			CAMPBELL/GUYLA MAE					99							15.67				
543-26-2273			ZUTKE/NILA N					99							75.40				



REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 146

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 06 INCOME TAX  
CONTROL : 00061 6.5 FTE WITHOLD-COMPL

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	6.50		-6.50		6.50		-6.50	
1100	SALARIES	85,577		-85,577		85,250		-85,250	
1400	EMPLOYEE BENEFITS	12,272		-12,272		12,378		-12,378	
1500	HEALTH INSURANCE	6,240		-6,240		6,240		-6,240	
	TOTAL LEVEL	104,089		-104,089		103,868		-103,868	
2200	SUPPLIES & MATERIALS	886		-886		952		-952	
2300	COMMUNICATIONS	1,009		-1,009		849		-849	
2400	TRAVEL	3,924		-3,924		3,924		-3,924	
	TOTAL LEVEL	5,819		-5,819		5,725		-5,725	
3100	EQUIPMENT	9,490		-9,490					
	TOTAL LEVEL	9,490		-9,490					
	TOTAL PROGRAM	119,398		-119,398		109,593		-109,593	
01100	GENERAL FUND	119,398		-119,398		109,593		-109,593	
	TOTAL PROGRAM	119,398		-119,398		109,593		-109,593	

EXPLANATION:

The purpose of this budget proposal is to improve tax compliance by identifying persons who are not filing income tax returns and employers who are not complying with withholding tax laws. The benefits of the proposal are a) anticipated additional revenues of at least \$1.3 million annually, b) reduced long-term tax burdens for honest taxpayers, and c) increased assurance to taxpayers that the tax system is fairly administered. 4.5 FTE would be assigned to withholding tax work, and 2.0 FTE would concentrate on income tax compliance.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL FY - BUDGET WORKSHEET

PAGE 148

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 06 INCOME TAX  
CONTROL : 00062 2 FTE-COLLECTIONS

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	2.00		-2.00		2.00		-2.00	
1100	SALARIES	34,160		-34,160		34,030		-34,030	
1400	EMPLOYEE BENEFITS	4,899		-4,899		4,941		-4,941	
1500	HEALTH INSURANCE	1,920		-1,920		1,920		-1,920	
	TOTAL LEVEL	40,979		-40,979		40,891		-40,891	
2200	SUPPLIES & MATERIALS	225		-225		239		-239	
2300	COMMUNICATIONS	1,069		-1,069		1,041		-1,041	
	TOTAL LEVEL	1,294		-1,294		1,280		-1,280	
3100	EQUIPMENT	700		-700					
	TOTAL LEVEL	700		-700					
	TOTAL PROGRAM	42,973		-42,973		42,171		-42,171	
01100	GENERAL FUND	42,973		-42,973		42,171		-42,171	
	TOTAL PROGRAM	42,973		-42,973		42,171		-42,171	

EXPLANATION:

This proposal is designed to increase the collection of delinquent income and withholding taxes through the addition of 2 collector positions. Together, the positions are expected to collect an additional \$1 million in delinquent taxes. At the end of September, 1982, there were 19,182 outstanding income tax accounts valued at \$7.9 million.

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 06 INCOME TAX  
CONTROL : 00063 TAX W-HOLD SYSTEM

MODIFIED LEVEL SERVICES ONLY									
AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2100	CONTRACTED SERVICES	22,000		-22,000		28,000		-28,000	
	TOTAL LEVEL	22,000		-22,000		28,000		-28,000	
3100	EQUIPMENT	8,707		-8,707					
	TOTAL LEVEL	8,707		-8,707					
	TOTAL PROGRAM	30,707		-30,707		28,000		-28,000	
				-28,000					
01100	GENERAL FUND	30,707		-30,707		28,000		-28,000	
	TOTAL PROGRAM	30,707		-30,707		28,000		-28,000	

COMMENTS : The division requests funds to redesign the present withholding tax data processing system. Currently, the system reports are out of date, the error rate for records submitted exceeds 15%, and error correction takes up to six working days. By replacing the current inefficient withholding processing system, tax collection work will be improved and employers will receive accurate, timely answers to questions about their accounts. As estimated \$200,000 per year in additional revenue will be produced if this modification is approved.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

PAGE 151

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 06 INCOME TAX  
CONTROL : 00064 1.5 FTE-FIELD AUDITS-W/H

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	1.50		-1.50		1.50		-1.50	
1100	SALARIES	22,564		-22,564		22,478		-22,478	
1400	EMPLOYEE BENEFITS	3,236		-3,236		3,264		-3,264	
1500	HEALTH INSURANCE	1,440		-1,440		1,440		-1,440	
	TOTAL LEVEL	27,240		-27,240		27,182		-27,182	
2200	SUPPLIES & MATERIALS	169		-169		179		-179	
2300	COMMUNICATIONS	169		-169		81		-81	
2400	TRAVEL	3,924		-3,924		3,924		-3,924	
	TOTAL LEVEL	4,262		-4,262		4,184		-4,184	
3100	EQUIPMENT	700		-700					
	TOTAL LEVEL	700		-700					
	TOTAL PROGRAM	32,202		-32,202		31,366		-31,366	
01100	GENERAL FUND	32,202		-32,202		31,366		-31,366	
	TOTAL PROGRAM	32,202		-32,202		31,366		-31,366	

EXPLANATION:

Presently one auditor is responsible for field audits. This is not sufficient to audit the large number of oil and gas drilling companies and other businesses that move across state lines. The division requests an additional 1.5 FTE per year to strengthen the field audit effort. Increased audits of employer withholding records and employee W-4 forms will improve the fairness of the tax system and will increase collections by approximately \$200,000 annually.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : -06 INCOME TAX  
CONTROL : 00065 DEV-OPER COSTS-A/R SYSTEM

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2100	CONTRACTED SERVICES	17,000		-17,000	---	16,000		-16,000	---
	TOTAL LEVEL	17,000		-17,000	---	16,000		-16,000	---
	TOTAL PROGRAM	17,000		-17,000	---	16,000		-16,000	---
01100	GENERAL FUND	17,000		-17,000	---	16,000		-16,000	---
	TOTAL PROGRAM	17,000		-17,000	---	16,000		-16,000	---

COMMENTS : A new accounts receivable system will enable the Department to 1) increase delinquent tax collections for the various taxes, 2) report to management amounts due for all taxes, 3) print tax statements directly for all accounts, 4) alert auditors to other taxes owed by companies they are auditing, and 5) eliminate erroneous billings. The current set of accounts receivable systems prevent effective management of delinquent tax accounts, hamper staff productivity, and impose unnecessary costs and frustration on both the Department and taxpayers in the case of errors. Because the Income Tax Division is the major user of the system, the costs of the new system are included here.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 06 INCOME TAX  
CONTROL : 00066 1.5 FTE-TAX PAYER ASST.

MODIFIED LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
0000	FULL TIME EQUIVALENT (FTE)	1.50		-1.50		1.50		-1.50	
1100	SALARIES	21,503		-21,503		21,421		-21,421	
1400	EMPLOYEE BENEFITS	3,084		-3,084		3,110		-3,110	
1500	HEALTH INSURANCE	1,440		-1,440		1,440		-1,440	
	TOTAL LEVEL	26,027		-26,027		25,971		-25,971	
2200	SUPPLIES & MATERIALS	281		-281		298		-298	
2300	COMMUNICATIONS	1,898		-1,898		2,221		-2,221	
2400	TRAVEL	4,522		-4,522		4,643		-4,643	
	TOTAL LEVEL	6,701		-6,701		7,162		-7,162	
3100	EQUIPMENT	6,100		-6,100					
	TOTAL LEVEL	6,100		-6,100					
	TOTAL PROGRAM	38,828		-38,828		33,133		-33,133	
01100	GENERAL FUND	38,828		-38,828		33,133		-33,133	
	TOTAL PROGRAM	38,828		-38,828		33,133		-33,133	

EXPLANATION:

This proposal will provide a basic taxpayer assistance program across the state during the three-month income tax season. The 1.5 FTE will allow for staff stationed in four locations, plus two persons who would be "circuit-riders" in the more sparsely populated areas. In addition, two toll-free lines would be operated from Helena, and special phone equipment would be installed to handle the most commonly asked questions. Taxpayer assistance improves voluntary compliance with tax laws and avoids unnecessary tax administrative costs by improving the accuracy of tax returns.



Summary of Results of  
Adding 6 Employees to the Income Tax Division

Exhibit 9  
2-11-83

FY-82

POSITION NUMBER	GRADE	DUTIES	RECORDS PROCESSED	TAX, PENALTY & INTEREST ASSESSED	YEARLY SALARY & BENEFIT
6100	8	Reviews employers' quarterly and annual withholding reports and payments. Makes adjustments to the reports and assesses addition withholding, penalties and interest.	18,300	\$ 257,306	\$ 13,650
6101	6	Maintains employer withholding records. Files original returns and sets up new employer files. Pulls and refiles returns for examination, accounts receivable and collection activities.	155,000	- 0 -	11,750
6103	8	Same as #8 above.	14,135	338,238	13,650
6104	7	Researches employers records at the request of the tax examiner or accounts receivable technician.	2,112 *	174,796 *	12,660
6107	10	Makes the initial telephone contact with the delinquent taxpayers. Attempts to collect tax due prior to the issuance of warrants and levies.	6,072	Tax Collected 361,872	15,950
6108	6	Provide general clerical support for collectors and technician.	**	**	11,750

\* These amounts are for 6 months if annualized the assessments would be \$349,592.

\*\* Specific numbers for this position are not available. We do know there was a 19% increase from FY1981 to FY82 in total files worked and a 16% increase in dollars collected (\$283,111).