MINUTES OF THE MEETING OF THE APPROPRIATIONS SUBCOMMITTEE ON ELECTED OFFICIALS AND HIGHWAYS
February 15, 1983 (Tape 73, 74 and 75, Side A)

The Appropriations Subcommittee on Elected Officials and Highways met at 7 a.m. on February 15, 1983 in Room 437 with Chairman Quilici presiding. The following members were present:

Chairman Quilici	Senator Dover
Rep. Connelly	Senator Keating
Rep. Lory	Senator Van Valkenburg
	Senator Stimatz

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

WORK SESSION

DEPARTMENT OF ADMINISTRATION

Publications and Graphics (Exhibit 2)

Sen. Dover made a MOTION that the committee approve in equipment $200,000 in FY84 and $170,000 in FY85. Mr. Breiby explained the four new items they have in their budget for the upcoming biennium were a Davidson 502, a Standard Board collator, a Norfin TC6 collator, and a Xerox 8200. Sen. Keating questioned why they needed the 502 when they had the 702. Mr. Breiby explained that what they needed was an increase in efficiency. They would like to be able to develop the capability of running IBM cards, envelopes, etc., on the 1250, thereby eliminating the 2650. Then replace the 1250 with a more efficient, more cost-effective method as far as paper is concerned: the 502. He stated that the 2650, as it stands right now, is virtually unusable. Discussion on the collators on the equipment list. (Exhibit 1) The total cost of the Davidson 502 is about $25,000. When asked if he felt the rates would be affected that they charge agencies, Mr. Breiby stated he didn't feel it would affect these at all because of the increased efficiency that would be attained. This would offset the cost of the equipment.

Chairman Quilici pointed out that the OBPP budget had $158,634 for FY84 and $161,463 for FY85. This included some continuing contracts. He was curious how much of this was continuing contracts. Mr. Breiby stated he believed these figures had been readjusted. He believed the total figure they were looking at was $231,477 in FY84 and $188,759 in FY85, and except for the $52,000 in new equipment, the remainder of this is existing equipment.

Mr. Rick Morgan then explained all the submissions to the OBPP was existing contract.

Sen. Van Valkenburg then made a SUBSTITUTE MOTION to approve $231,477 in FY84 and $188,759 in FY85. This is the full amount they have requested for equipment in this category.

Sen. Dover stated he would like to change this and take off $17,612 each year, so he made a SUBSTITUTE MOTION on the motion pending.

Sen. Keating then noted for the committee that this amounts to $62,000 worth of interest that they would be looking at in a two-year period. He also wanted to know if Sen. Van Valkenburg's motion includes the four new pieces of equipment, and was told it did and he wanted the committee to realize they would be committing an additional third payment on this beyond the biennium.

Mr. Breiby then stated that in discussion with Mr. Morgan, it was their understanding that the $231,000 would not include the new equipment.

Sen. Dover then withdrew his motion.

Sen. Van Valkenburg then asked what the total would be with the new equipment. Mr. Booker stated it would be $51,642 on the leased equipment, which would bring the total to some $280,000.

Sen. Dover then made a SUBSTITUTE MOTION that $35,230 per year be added to the $231,477 and $188,759. This would get the Davidson and two collators. The totals would be $266,707 for FY84 and $223,989 for FY85. Motion carried with Sen. Keating and Rep. Connelly voting "no."

Sen. Dover made a MOTION that the duplicating be passed as amended. Motion carried with Sen. Keating voting No."

Workers Compensation Judges (Exhibit 3)

Chairman Quilici noted on personal services that they request a hearings examiner and a legal secretary.

Sen. Dover MOVED to give the agency the nine FTE's. Motion carried.

In operating expenses the difference is due to the two additional FTE's.

Sen. Van Valkenburg then MOVED approval of the operating expenses under the OBPP. Motion carried.

Discussion of the word processor requested. Mr. Reardon stated that it was intended to speed up the turnover problem they have at the present time. Chairman Quilici suggested that Cliff Roessner and Doug Booker come up with a set price for the word processors, so the equipment will be decided upon at another meeting.

Sen. Dover then MOVED to pass the workman's compensation judge budget as amended with the exclusion of equipment to be considered later. Motion carried.

Mr. Roessner stated the workman's compensation judge is currently renting private space in Helena. In the LFA budget they had included the square footage rate for 1983 hoping they could get the workers' compensation court into state-owned space. By approving the executive budget it gives them a budget that allows them to continue in privately-owned space. They would like the committee to discuss and perhaps get the intent that the workers' compensation court get out and seek state-owned space at a cheaper rate. Mr. Reardon stated that they had no objection to moving into state-owned space. The lease agreement that they are currently under was signed by his predecessor in 1979, and it does not expire until January of 1984, at which time he would have no objection to moving into state-owned space, assuming adequate space is available. Sen. Van Valkenburg stated that he had asked Mr. Brusett to take a look at the plans for the workers' compensation space to see if there would be a potential for space there. He feels that it would be convenient for a lot of people if it were to be located there.

Personnel Division (23) (Exhibit 4)

Mr. Roessner stated that the difference in the FTE's between the LFA and OBPP is one attorney who was in this office that the LFA transferred to Insurance and Legal under the legal pool concept. This position was general-funded within personnel, and they recommended that it be part of the revolving fund within legal and insurance where they bill out their services to the various agencies or departments that they serve.

The other FTE is a combination of two .5 positions that were vacant in FY82, and the LFA deleted these. These have currently been combined into a single position, and is filled by the person who handles the PPP system for personnel. He pointed out that the duties of the PPP system were transferred from the Governor's Office to personnel, but that neither the position nor the money were transferred along with that responsibility. That position and the money still remain within the Governor's office.

Dennis Taylor explained that the personnel division, during the last biennium, had developmental money for bringing all phases of the personnel and control part to PPP. Mr. Booker explained the other part of the .5 FTE to make one, came from the accounting division.

Mr. Taylor explained that the grade 15 lawyer handles all matters of litigation in district court for the board of personnel appeals, works on classification appeals, etc. They feel if they move to a purchase of service contract that their costs will double. On a breakdown of this attorney's time, they found that 80% is devoted to direct support of the division's activities as a whole, and 20% in support of personnel matters of the administration.

Sen. Dover MOVED to approve the 31 FTE's. Motion carried.

In operating expenses there is a discrepancy. Mr. Roessner noted that on the personnel expenses original budget request they had deleted all of their data processing costs. There are $21,000 of ongoing costs that they need to support this division, and this came in on a later budget request which apparently did not reach the LFA. He recommended that the $21,000 be added back in for both years. This would make it $30,957 for FY84 and $36,498 for FY85. Mr. Roessner stated that they are also asking for $926 and $982 in FY84 and FY85 for the administrative register. He would also recommend that these costs be added in.

There is $1,461 for the Governor's committee on employment of the handicapped, $5,000 for the eligibility technician lawsuit and $6,000 for consultant fees for the classification enhancement project. None of these are included in the LFA budget, primarily because these are added services or programs the LFA felt the committee should discuss. Discussion.

(Begin Tape B, Side B)

Mr. Roessner pointed out to the committee that they went with the low figure for these legal fees, and he felt it was important for the committee to know the impact of this if the ruling goes against the state, or if it is not settled.

Sen. Van Valkenburg MOVED the OBPP requested figures for contracted services, and within this line item, $5,000 in FY84 for the eligibility technician lawsuit costs.

Mr. Roessner stated that in approving this figure, they have approved the $1,461 for the Governor's Committee on Employment of the Handicapped. He stated that this is a program that is currently ongoing in the administration. It is a program that was given to the division without funds in 1982 by the Governor's office. Also within this motion is the $6,000 consulting fees.

Chairman Quilici stated he had no trouble with the money in here for the handicapped, but he did have a bit of a problem with the $6,000 for consulting fees in FY84.

Sen. Dover made a SUBSTITUTE MOTION to take $6,000 out in FY84. Motion carried, with Sen. Van Valkenburg voting "no."

In supplies and materials there is a $5,545 difference. Mr. Roessner stated that most of this difference is supplies and materials for the PPP system, and for the Governor's Committee on Employment of the Handicapped.

Rep. Lory MOVED the OBPP for supplies and materials.

The difference in communications was a request for an increase in messenger service and mailing.

Rep. Lory RESTATED his MOTION was the OBPP in operating expenses. Motion carried.

Sen. Dover MOVED the personnel budget as amended. Motion carried.

Personnel Program

Group Benefits (Exhibit 5)

Sen. Dover MOVED the four FTE's be approved. Motion carried. Mr. Roessner stated the difference in contracted services is the health promotion program. In prior years this has been a program which has been carried on by the insurance carrier. But since the state is primarily self-insured now, the insurance carrier is not going to conduct this any longer, and the division is requesting authority to continue to help fund the program. The two issues are whether the program should be continued over and above the current level, and also as to the funding of the program, whether it should come out of general fund or out of the group benefits fund.

$6,000 of the difference is in the health promotion program, and the other $1,500 is the incentive award program which was the subject of a bill, and that bill has passed.

Sen. Dover then made a MOTION to approve the OBPP level for operating expenses. Discussion.

Dennis Taylor stated that in the first year of the last biennium, Blue Cross provided $30,000 for this program, and last year they provided a second $30,000. In addition, they had a $9,000 authorization out of the group benefits fund. They have been pleased with the response they have had to date, and would like to continue the program.

Sen. Keating stated he felt these are things people should be doing on their own, and he doesn't see why we have to pay tax money to print booklets and put up posters, etc.

The motion carried with Sen. Keating and Chairman Quilici voting "no."

Sen. Dover MOVED to approve the group benefits budget as amended. Motion carried. Sen. Keating and Chairman Quilici voted "no."

Training (Exhibit 6)

Chairman Quilici noted there is a $12,000 difference in contracted services in this program. Mr. Roessner stated that the entire issue is the expansion of this budget over and above current level. This program was initially started with federal funds, and the agency is now requesting an expanded program with general fund. It is the LFA's belief that it should have come in as a modified, and that is why they did not include the two FTE in current level, nor the expanded contracted services contract to have professionals come in and help with the training.

Sen. Van Valkenburg explained the real hope with this program was to be able to train supervisory people, managerial types, and to provide them with some of the skills they don't normally get in the course of coming up through the ranks, to learn budget preparation, to learn use of SYBUS, to learn some personnel skills, etc. This was identified as a real need throughout state government. He felt in the long run this would be very beneficial to the state.

Rep. Lory MOVED the approval of the OBPP budget and the FTE. Motion carried. Sen. Keating, Sen. Stimatz and Chairman Quilici voted "no."

DEPARTMENT OF REVENUE

Liquor Division (Exhibit 7)

Ms. Ellen Feaver first explained to the committee the 1983 financial report for the Liquor Enterprise Revolving Fund. In the merchandise inventory one can see that in their stores they had almost $7 million in inventory, and in the warehouse $4 million. This was a major concern of hers, and when Howard Heffelfinger came on board in 1982, one of their no. 1 goals was to address the overinvestment of the inventory they had in their warehouse. One of the historical causes for excessive inventory was the wine going into grocery stores. The state was caught with inventory that would have been inadequate if they had been the only supplier of wine. Their goal, then, was to lower their inventories and to flush the system of the wines that were about to spoil. In the past, it was never one of management's objectives to pay any attention to the amounts that were in inventory.

In the statement of operations one can see that their gross sales in 1981 were about $53 million, and in 1982 $55 million. There was a gross income of $23 million, and the number one operating expense is the salaries of the store employees.

On page 5 under support services they have identified what the actual costs of the support services were as compared to those costs which were allocated through the legal and appropriation process. As one can see, the merchandising part of the liquor division incurred about $440,000, and in licensing about $330,000, for a total of about $768,000. Compare this to the allocation costs of about $500,000. This is the difference between the compliance basis of reporting and generally accepted accounting principles.

The next primary difference starts on page 6 with the licensing operations. In their financial statements and in the revolving fund they get credit for and count all of the merchandising income, but they don't get credit for any of the licensing income. The licensing generates about a million-and-a-half dollars a year, and none of this goes into the revolving fund. So, in the financial statement you will see no revenue from licensing. But you will see all the costs. So, you cannot get an accurate view of the revenues and the costs of running the two programs in the division. This is the way the accounting system has been set up always as far as Ms. Feaver knew.

They estimate that the licensing program really costs about a half-million dollars. On a legal compliance basis, the licensing program made 1.1 million dollars, and they believe it is around $1 million.

Discussion.

She then referred the committee to page 12 of the report which shows how the expenses were allocated. Pages 14 and 15 show the reports of sales by the individual stores. Pages 16 and 17 show the sales by county. Page 23 is a comparative schedule of tax revenues which shows all of the taxes from beer, wine and spirits that they collect as a state. Page 24 shows the source and distribution of all liquor revenues by fund.

(Begin Tape 74, Side A)

Ms. Feaver stated also that one of the primary reasons why the profits went down was due in part to employees getting substantial pay increases last session, and that the spirits industry nationwide is very depressed. The country is going towards wine-drinking, and in Montana, beer is the number one seller. Discussion on the procedures for obtaining licenses for liquor stores.

(Exhibit 8)

Mr. Howard Heffelfinger, Administrator of the Liquor Division, told the committee that in 1979 the Legislature initiated a new budget concept for the Liquor Division in recognition of the fact that it occupied a somewhat unique position among state agencies as an enterprise operation that produced income for the state government. The theory was that a so-called open-ended or non-appropriated budget would allow the division more flexibility to operate as an enterprise. The condition was that the division, in return for the added flexibility provided for by such funding, would return a specific amount of net profit. For the 1983 biennium, the appropriations language specified that the division would deposit not less than $13 million of liquor profits, and the profits would not be less than 15% of net sales. It was also specified that operational expenses would not exceed 15% of net sales. It should be noted that for the 1981 biennium, the division made $11.8 in bona fide profits and sales. The balance of that deposit requirement was apparently made by temporary inventory reductions, and borrowing from other funds.

Thus, for the current biennium, the appropriations language was made more specific to link profits to actual net sales. The double criteria of a $13 million minimum profit, coupled with a 15% of net sales requirement, was included on a theory that if sales increased to the point that the 15% dollar amount exceeded the $13 minimum, the Legislature wanted whatever was more. At this point in time, because of declining sales, the 15% amount is almost the same as the specified minimum.

He added that the state is going to fall short of assuming both trends continue, and their best estimate, considering trends, is that they will be able to turn a profit of about $10,767,000 for a shortfall of about $2,233,000. The reason for the shortfall is clear. Although the Legislature can mandate profit amounts, they cannot mandate consumption. They hope that in the future, as economic conditions improve, that their sales are going to return to previous levels. Therefore, they are asking again for the same type of open-ended budget granted during the previous two bienniums, and hope that, as business conditions improve, they will again have the adaptability to take advantage of such changes and maximize their efficiency.

He also emphasized that the legislative auditors, in the performance audit performed on the division in December, pointed out that, while other control states have an unlimited appropriation to purchase merchandise and pay freight costs but have fixed appropriations to operate administrative functions, warehouses and stores, they could not point out one other state that mandated a given profit level. HB 40 removing this mandate has been passed and signed by the Governor, but this will continue to be an issue under this type of funding request.

The auditors concluded by stating that a preferable method would be to require the division to return a reasonable, fixed percentage of sales to the general fund.

He stated it was understandable that legislators are concerned about the concept of an open-ended budget, because it appears that you are giving an agency a blank check to spend whatever. Keeping this in mind, he then reviewed what they are trying to do by reducing costs in overhead under this type of funding arrangement. He then referred the committee to the Exhibit A of Exhibit 8, which shows the personnel comparisons. He pointed where they can make reductions in personnel, they have done so to the point where you can see their decline in sales. Out of their 72 state stores, 27, or 38%, are one-person stores.

Exhibit B, agency conversion, shows that in the past four years the division has converted about 40 stores to agency status. By eliminating overhead for such marginally profitable stores, and paying a 10% commission to an agent instead, they have increased profits from such outlets by about $100,000 a year. They have a few additional marginal stores that should be converted, but in not doing so, they have followed the criteria laid down by the appropriations subcommittee last year that they convert in an "orderly" manner. This means that they go by criteria, that if a store manager retires or a lease expires, then make a decision at that point as to whether to convert it or not.

Exhibit C is inventory reductions, and points out that reducing inventory has assumed the highest management priorities for the division during the past year. Inventories have been reduced by about 25%, and this effort is continuing. This represents a savings at retail of about $3.8 million. The remaining graphs in his presentation were self-explanatory.

Under the open-ended funding request for the next biennium, keeping in mind what the Legislative Auditor has recommended, they would feel that about 12.5% of net sales would constitute a fair and reasonable profit goal.

The division has been required to operate within an expenditure limitation of 15% of net sales. At the end of FY82 the division has expended 14.3% of net sales, and at the end of December '82 the division expenses amounted to 12.1% of net sales. So they are still well within that expense limitation. They are going to be higher than the 12.71% because they have gone through their high volume sales months. In the remaining slow months the expenses will catch up to them.

However, based on two primary assumptions, they are going to request an increase in the expenditure limit for the next biennium. The assumptions are that if sales continue to decline at present trends, and if inflation causes expenses to increase at the rate of approximately 8% per year. The OBPP is a little bit in excess of this, and he is sure they can beat this by reducing expenses as they have in the past year.

He added that assuming what is happening now continues, it appears that this amount is what they will have to have in order to continue operations as they have now at current level.

Discussion of future costs to the stores. Mr. Heffelfinger stated that there were areas he felt they could make reductions in the stores. He added that they are functioning now under a negotiated wage contract under the present biennium which calls for an average annual increase of 13%. He added that he did not negotiate this contract. They are in the process of negotiating another contract for the following biennium, and he stated he would do the very best he could to negotiate a fair contract for the state. Sen. Keating added that the salaries are already fixed, and the only thing they could negotiate was less of an increase and 2/3rds of the operating expenses are in salaries, and he wondered if the stores declined in business, if they would be able to lay off employees. Mr. Heffelfinger stated this was a good question, and was something they have to seek policy direction from the committee about. He added that they have laid off people in those stores to the point where they are ground down as tight as they can go now in terms of eliminating actual staff. Anything they do over and above what has been done will have to affect service levels. They could make additional savings if they close stores or reduce hours of stores. He added they have cut down on help in the warehouses.

Ms. Feaver stated that one of the things that could be done to minimize personnel costs is to assign licensees to particular stores.

In discussion Exhibit B of Exhibit 8 was discussed (the bar graph). Mr. Heffelfinger stated that the 70 agency stores which constitute almost half of their stores, do barely 10% of the total business. (A state store is a bona fide store where they lease the premises, pay the overhead, and have state employees; an agency is where they have an agent who sells their products for a 10% commission on those gross sales. Most of the time they are in conjunction with another existing business.)

Ms. Feaver stated again that this is one of the policy decisions they would like the committee to decide, of whether they would like them to stick with this policy of converting agencies, or do they want to make these cost analyses quarterly, monthly or whatever. In conclusion, Mr. Heffelfinger stated whatever the expense limitation should be, the division requests permission to install a point of sale computerized cash register system in 10 of their larger state stores. The estimated cost is $280,000, but he feels they could probably come in under this, however. This assumes that in every one of those stores they install three cash registers and a manager's terminal. Some stores could probably suffice with two registers to cut down on the cost.

An explanation of the POS program is contained in the back of Exhibit 8. Ms. Feaver stated that the primary reason for this type of equipment is to be able to minimize their investment inventory. This is the most cost-effective mechanism that they have found to ensure that they maintain a minimum balance of inventory in the stores, and still operate the stores well.

(Begin Tape 74, Side B)

The division agrees that overinvesting in inventory has been a very big problem and one they are interested in managing better. In response to a question from Rep. Lory concerning the savings if this equipment is installed, Mr. Heffelfinger stated there would be some operating costs that would be more than offset by the savings. By the time the installation is completed, the central files here in Helena will have been changed to accommodate this system.

Sen. Keating felt they should try to get an estimate on the costs of the lines to tie in this system.

Mr. Heffelfinger stated that the Legislative Auditors endorsed the concept of POS throughout their report, and they recognized that the accounting system they have now in the stores is grossly inadequate.

Chairman Quilici asked Ms. Feaver that in the event that they installed this POS program at a cost of approximately $728,000, if they would still intend to come up with a profit of around $10 million. She replied that right now all they have in mind are the top ten stores at a cost of $260,000.

Ms. Feaver then gave the committee a list of policy issues which they encouraged the committee to address. (See Exhibit 9) Mr. Heffelfinger then went through the issues on the exhibit. The first seven he explained were self-explanatory, but the crucial issue here is what should the primary mission of the division be? The auditors indicated that it was very apparent to them that some of the turmoil that the division had gone through in the past year has been because they are just not sure what the Legislature wants them to be doing. They have three primary objectives of the liquor operation, which is profitability, control and service. In some ways, these goals are mutually inconsistent.

The primary purpose of state control is to control a product which is very volatile. There has been quite a bit of support for a system of state control. There has been a lot of difficulty over the past year because they were trying to comply with the mandate to operate as a business, and maximize profit, which runs head on into the philosophy of control of this type of product. The philosophy of state control is not to aggressively merchandise beverage alcohol. It is basically to meet a natural, unstimulated demand for it, and then acquire what profits you can as a result of this. In trying to comply with the profit mandate, they have tried to raise prices, tried to close some stores, and have done some other things which have created tremendous political opposition. He says that someone has to tell them what they can and cannot do. They will run the division according to what policy they are given.

Sen. Van Valkenburg stated that from the legislator's point of view, the Liquor Division got pretty much all it asked for last time from the committee.

Discussion of advertising for sales of liquor.

The hearing was closed on the liquor division.

WORK SESSION

DEPARTMENT OF ADMINISTRATION

State Tax Appeals Board (Exhibit 10)

Mr. Roessner stated that he had revised figures on personal services for the LFA. For 1984 the figures should be $174,496. There are 5.5 FTE's.

Sen. Dover MOVED the 5.5 FTE's for this budget. Motion carried.

Sen. Van Valkenburg MOVED that the committee include other compensation in the personal services budget at $32,700, which is the figure we adjusted in the LFA budget for per diem for the county tax appeals board members at the $25 rate.

Chairman Quilici asked for clarification if he was taking the OBPP figure of $41,624, and was told it was the $32,700 figure. Mr. Booker stated the difference between the LFA and the OBPP was for the additional per diem for board members for traveling, in addition to current level. This amounts to $8,924, which is basically to handle the backlog that has been building up.

Motion carried.

The difference in contracted services is a request for additional hearings officers and related expenses for court reporters. Mr. Booker added that this additional was for the volume that the state tax appeals board foresees in FY84 and FY85 to handle backlog in cases.

Sen. Keating noted that the letter of explanation shows a request for $70,000 in FY84 for contracted services, and yet there is a difference of $61,000 between the LFA and the OBPP. Mr. Roessner stated that the $70,574 figure on the explanation sheet includes that $8,924 in per diem. Basically it should have said $8,924 for per diem, and $61,650 for contracted services.

Sen. Van Valkenburg asked if there was any other policy approach that could be taken to clear up the backlog. He was told the backlog is the manual disparity issue, and it has been an ongoing thing since 1978. There isn't much that they can do with the backlog until the Supreme Court does something. They will not spend the money if it is not needed, but there is no way to tell what is going to come out of the Supreme Court.

Sen. Van Valkenburg MOVED that the committee line item within this budget $70,574 in FT84 and $45,000 in FY85 specifically for contracted services and per diem for the board to handle the potential increased workload relating to these manual disparity cases. (So this money is not really available for any other purpose, but is there in the event the tax appeals board ends up having to hear those cases.) 702

(Begin Tape 75, Side A)

Mr. Booker wanted to emphasize to make sure this is trackable, so they can delineate between cases that would come under the line item versus the other budgets. Chairman Quilici stated that he thought one could put an emphasis on tracking it. These are essentially the 34% cases.

For clarification Mr. Bob Raundal stated that in appraising commercial buildings, including condos, they are appraised out of what they call the Marshall Valuation Manual. They set the values as of 1976, then all residences are appraised out of a manual the department has put together which was made up of 1971 values. With inflation factors between these years, they have determined that it was a 34% discrepancy, and they are both in the same legislative class. It has been in the courts every since. He also added that the

Department of Revenue gave a 12% reduction statewide on all commercial buildings whether they were under appeal or otherwise in an effort to get the thing settled.

Question being called for, the motion carried.

Sen. Keating then made a MOTION to approve the OBPP budget for the balance of the operating expenses and equipment.

Mr. Booker stated that the committee discussed this equipment the other day, and this was the copy machine; whether we wanted to go this route or go to the photocopier pool, to P & G. Mr. Rick Morgan stated he got the figures from P & G, and they found they can get another machine for $3,000, and they had put an item in there for $5,200, and he hadn't done much research on it beforehand. Sen. Keating then CORRECTED his MOTION to read $3,000 for equipment. Motion carried.

Sen. Keating then MOVED the budget as amended. Motion carried.

PERS (Exhibit 11)

Mr. Roessner stated within personal services, the board is requesting that $600 be added for per diem for board members over and above what is currently reflected in the budget. Sen. Van Valkenburg asked if the Governor's Council on Management made any recommendations on this, and was told that the primary recommendation was the prospect of consolidating the systems, the PERS and the teachers.

Sen. Van Valkenburg made a MOTION to approve 22.25 FTE's, and an additional $600 in other compensation to the OBPP budget for personal services. ($600 is travel for board members.) Motion carried.

Chairman Quilici noted the discrepancy in contracted services in data processing, attorney fees, cases in political subdivisions, etc. Mr. Roessner stated the request includes $25,000 in FY84 for data processing services to redesign the social security system, and he believed this was due to recent changes in the social security law.

The division stated that they were required to go from quarterly depositing with the federal government to monthly depositing with the federal government, and their current system is based on quarterly reporting. Annual reporting has also become a social security mandate. They are currently using their field auditor to supplement their office staff of three.

Mr. Roessner then stated that he did not work on this budget originally, and he would have added this amount in for the data processing if he had worked the budget. The only thing he would consider nebulous was the attorney fees. Discussion. Rep. Lory MOVED the OBPP budget for operating expenses. Mr. Larry Nachtsheim explained that since 1955 they are the administrator of the federal-state social security agreement. Prior to 1979 they used to send the money to the federal government on a quarterly basis, and invested it on a short-term rate. Chairman Quilici RESTATED that the motion before the committee was to accept the OBPP budget for operating expenses, and that it included the equipment. Motion carried.

Rep. Lory MOVED the PERS budget as amended. Motion carried.

Teachers Retirement (Exhibit 12)

Under other compensation in the LFA budget, $1,125 for other compensation for the board's per diem was left out, and this should be added back in.

Sen. Keating MOVED the 10.58 FTE's and the $1,125 other compensation for FY84 and FY85. Question being called for, the motion carried.

Chairman Quilici noted there was an $8,000 difference in contracted services. These are actuarial costs for legal fees and court costs. It was noted that on the actuarial costs, these were on a current contract basis. Their current valuation runs $8,750. In addition, they require about 40 additional hours of actuarial services each year at $75 per hour. So this would be an additional $3,000 on top of the $8,750 that would be required for the valuation. In FY85 they would just need the $3,000 in actuarial fees because they don't have a valuation every year. Sen. Keating made a MOTION to approve the OBPP budget for operating expenses. Motion carried.

Sen. Dover MOVED that the committee approve $2,288 in FY84 and $10,000 in FY85. Motion carried.

Mr. Bob Johnson told the committee that the last legislative session granted them authority for $140,000, which was an estimate at that time. Since that time, the estimate has gone up to $320,000. They are searching for ways to do this cheaper, and if they can't, they may be forced to go to a new system. If they don't get the $181,000, they will be stuck with the old system that is nine years old, and that really doesn't provide a good service to members or provide the necessary accounting controls they have to have. Their operation is funded by the interest earnings on the employer contributions received.

Rep. Lory MOVED the $181,300 line itemed for computers.

Sen. Keating asked if they had gone to a private systems development operation if they felt they might have gotten a better price. Mr. Johnson stated they are looking at that possibility at the moment, and they haven't been too fortunate thus far. He also stated that the State of Oregon recently did a survey of 40 Public Retirement Systems along with private systems, and they have yet to find a system outside that would meet their needs. He stated he had discussed this with systems development, and they had talked with people in Washington. They have spent $5.5 million in developing a computer system for the retirement systems, and are now back to scratch. The retirement system administrators have been fired over it. The State of New Hampshire spent $358,000 in developing a new system, so they are finding out that this is a cost that is perhaps not too excessive after all.

They feel, too, it is high, and they would like to do it cheaper. They have been assured by the board that $320,000 would be sufficient to complete the study, and implement the program. Chairman Quilici asked that it be noted that they concluded that $320,000 plus would be sufficient to take care of this program in the appropriations bill.

Rep. Lory RESTATED his MOTION to include the $181,830 for FY84 and $27,500 for FY85 for system maintenance. Motion carried.

It was noted that the interest earnings on employers' contributions amounted to 10.23% per year. They collect on employers' contributions around $18 million per year.

Sen. Keating MOVED the budget as amended. Motion carried. Chairman Quilici stated at the close of the meeting that there really should be a committee bill or resolution concerning the fact that every agency requesting word processors and computer services, the FTE's haven't reflected the cuts.

The meeting was adjourned at 11:10 a.m.

Joe Quilici, Chairman

Rental of Photocopiers

STATE OF MONTANA

exhibit 1
2/15/83

Form

AGENCY EXCEPTION ADJUSTMENT FORM

AGENCY NUMBER 6101 AGENCY NAME Department of Administration

PROGRAM NUMBER 05 PROGRAM NAME Publications & Graphics

CONTROL VARIABLE ______

Item Nbr. by Priority	Object of Expend. (Third Level)	ITEM DESCRIPTION AND JUSTIFICATION	Proposed Accounting Entity	REQUESTED 1985 BIENNIUM 1984	REQUESTED 1985 BIENNIUM 1985	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1984	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1985
1	2519	Savin 880	524	4,440	4,440		
2	2519	Xerox 4500	524	11,124	11,124		
3	2519	Savin 870	524	1,800	1,800		
4	2519	Savin 755	524	1,200	1,200		
5	2519	Cannon NP-400F	524	13,080	13,080		
6	2519	Xerox 400	524	5,256	5,256		
7	2519	Xerox 4000	524	10,936	10,936		
8	2519	IBM III	524	15,525	15,525		
9	2519	IBM III	524	12,473	12,473		
10	2519	Savin 770	524	2,760	2,760		
11	2519	Xerox 8200	524	20,328	24,324		
12	2519	Xerox 3107	524	3,060	3,060		
13	2519	Mita 132	524	2,880	2,880		
14	2519	Savin 895	524	8,114	8,114		
15	2519	Xerox 8200	524	20,328	24,324		
16	2519	Mita 121	524	2,880	2,880		
17	2519	Savin 880	524	3,456	3,456		
18	2519	Annual extra copies all machines (325,000)	524	39,000	39,000		
		Page Subtotal		$178,640	$186,632		

w Falo

MACHINERY PURCHASES FINANCING

Form B22

STATE OF MONTANA
AGENCY EXCEPTION ADJUSTMENT FORM

AGENCY NUMBER 6101 AGENCY NAME Administration

PROGRAM NUMBER 05 PROGRAM NAME Publications & Graphics Div.

CONTROL VARIABLE

Item Nbr. by Priority	Object of Expend. (Third Level)	ITEM DESCRIPTION AND JUSTIFICATION	Accounting Entity	~~Proposed~~ Accounting Entity	REQUESTED 1985 BIENNIUM 1984	REQUESTED 1985 BIENNIUM 1985	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1984	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1985
1	3114	Davidson 702 w/Roll Converter	06530	521	12,033	2006		
	2806	Interest		521	1,539	256		
2	3114	AM System 5 Duplicator w/sorter		523	27,606	13,803		
	2806	Interest		523	3,587	1,794		
3	3114	AM 240 Bin Collator		523	6,948	6,948		
	2806	Interest		523	947	947		
4	3114	3M MR 417 Dual Plate Maker		521	6,333	2,111		
	2806	Interest		521	1,031	344		
5	3114	AM 2300 Mater Imager		521	687			
	2806	Interest		521	56			
6	3114	Pitney Bowes Tac 10 Collator		522	2,862	715		
	2806	Interest		522	390	98		
7	3112	IBM III		524	2,472			
	2806	Interest		524	879	366		
8	3112	IBM III		524	5,933	2,472		
	2806	Interest		524	952	397		
9	3112	Mita 232		524	1,752	1,752		
	2806	Interest		524	228	228		
10	3112	Mita 232		524	1,752	1,752		
	2806	Interest		524	228	228		

Form B22

STATE OF MONTANA

AGENCY EXCEPTION ADJUSTMENT FORM

AGENCY NUMBER 6101 AGENCY NAME Administration

PROGRAM NUMBER 05 PROGRAM NAME Publications & Graphics Div.

CONTROL VARIABLE

Item Nbr. by Priority	Object of Expend. (Third Level)	ITEM DESCRIPTION AND JUSTIFICATION	Accounting Entity	Responsibility Center Proposed Accounting Entity	REQUESTED 1985 BIENNIUM 1984	REQUESTED 1985 BIENNIUM 1985	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1984	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1985
11	3112	Mita 232	06530	524	1,752	1,752		
	2806	Interest		524	228	228		
12	3112	Mita 232		524	1,752	1,752		
	2806	Interest		524	228	228		
13	3112	Mita 232		524	1,752	1,752		
	2806	Interest		524	228	228		
14	3112	Mita 232		524	1,752	1,752		
	2806	Interest		524	228	228		
15	3112	Mita 232		524	1,752	1,752		
	2806	Interest		524	228	228		
16	3112	Mita 132		524	1,051	1,051		
	2806	Interest		524	137	137		
17	3112	Mita 132		524	1,051	1,051		
	2806	Interest		524	137	137		
18	3112	Mita 132		524	1,051	1,051		
	2806	Interest		524	137	137		
19	3112	Mita 132		524	1,051	1,051		
	2806	Interest		524	137	137		
20	3112	Mita 132		524	1,051	1,051		
	2806	Interest		524	137	137		

Form B22

STATE OF [illegible]NTANA
AGENCY EXCEPTION ADJUSTMENT FORM

AGENCY NUMBER 6101 AGENCY NAME Administration

PROGRAM NUMBER 05 PROGRAM NAME Publications & Graphics

CONTROL VARIABLE

Item Nbr. by Priority	Object of Expend. (Third Level)	ITEM DESCRIPTION AND JUSTIFICATION	~~Proposed~~ Responsibility Center / Accounting Entity	Accounting Entity	REQUESTED 1985 BIENNIUM 1984	REQUESTED 1985 BIENNIUM 1985	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1984	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1985
21	3112	Mita 132	06530	524	1,051	1,051		
	2806	Interest		524	137	137		
22	3112	Xerox 4500		524	5,370	5,370		
	2806	Interest		524	698	698		
23	3112	IBM III		524	6,079			
	2806	Interest		524	789			
24	3112	Xerox 3100		524	1,951	1,951		
	2806	Interest		524	254	254		
25	3112	IBM II		524	5,157	5,157		
	2806	Interest		524	670	670		
26	3112	Xerox 3100		524	1,806	1,806		
	2806	Interest		524	235	235		
27	3112	Xerox 4000		524	4,034	4,034		
	2806	Interest		524	524	524		
28	3112	Xerox 4500		524	5,370	5,370		
	2806	Interest		524	698	698		
29	3112	Xerox 4000		524	4,034	4,034		
	2806	Interest		524	524	524		
30	3112	IBM III		524	10,089	10,089		
	2806	Interest		524	1,311	1,311		

Form B2

STATE OF MONTANA

AGENCY EXCEPTION ADJUSTMENT FORM

AGENCY NUMBER 6101 AGENCY NAME Department of Administration

PROGRAM NUMBER 05 PROGRAM NAME Publications & Graphics

CONTROL VARIABLE

Item Nbr. by Priority	Object of Expend. (Third Level)	ITEM DESCRIPTION AND JUSTIFICATION	Proposed Accounting Entity	REQUESTED 1985 BIENNIUM 1984	REQUESTED 1985 BIENNIUM 1985	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1984	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1985
31	3112	Savin 895	524	5,821	5,821		
	2806	Interest	524	756	756		
32	3112	IBM III	524	15,930	15,930		
	2806	Interest	524	2,070	2,070		
33	3112	IBM III	524	10,089	10,089		
	2806	Interest	524	1,311	1,311		
34	3112	Savin 880	524	6,247	6,247		
	2806	Interest	524	900	900		
35	3112	IBM III/60	524	19,617	19,617		
	2806	Interest	524	3,336	3,336		
36	3112	IBM III/20	524	19,617	19,617		
	2806	Interest	524	3,336	3,336		
37	3112	IBM III/60	524	19,617	19,617		
	2806	Interest	524	3,336	3,336		
38	3112	Xerox 4000	524	7,205	7,205		
	2806	Interest	524	950	950		
		*All 38 pieces of equipment are continuation of existing contracts.		[illegible]	[illegible]		
				[illegible]	[illegible]		
39	3114	Davidson 502 w/roll converter	521	7,134	7,134		
	2806	Interest	521	1,019	1,019		
40	3114	Standard Borg Collator 30 bin	522	11,798	11,798		
	2806	Interest	522	1,685	1,685		
41	3114	TC ~~40~~ 60 Norfin Collator	522	10,845	10,845		
	2806	Interest	522	1,549	1,549		
42	3112	Xerox 8200 w/finisher	523	15,410	15,410		
	2806	Interest	523	2,202	2,202		

Form B2

STATE OF MONTANA

AGENCY EXCEPTION ADJUSTMENT FORM

AGENCY NUMBER 6101 AGENCY NAME Department of Administration

PROGRAM NUMBER 05 PROGRAM NAME

CONTROL VARIABLE

Item Nbr. by Priority	Object of Expend. (Third Level)	ITEM DESCRIPTION AND JUSTIFICATION	Proposed Accounting Entity	REQUESTED 1985 BIENNIUM 1984	REQUESTED 1985 BIENNIUM 1985	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1984	(OBPP Use Only) RECOMMENDED 1985 BIENNIUM 1985
		*Items (39 through 42) are replacements for equipment in service more than seven years.					
				~~$293,663~~	~~$267,758~~		
		Current Contract					
		Interest		33,097	27,529		
		principal		221,477	199,727		
		New equipment contract					
		Interest		6,455	6,455		
		principal		45,187	45,187		

exhibit 2
2/15/83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 05 "PUBLICATIONS AND GRAPHICS"
CONTROL : 00052 DUPLICATING

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	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)	26.75	20.00	18.00	-2.00		24.75	22.75	-2.00	
1100	SALARIES	424,630	351,395	317,663	-33,732		407,449	374,929	-32,520	
1400	EMPLOYEE BENEFITS	84,926	51,058	46,989	-4,069		59,936	56,753	-3,183	
1500	HEALTH INSURANCE		19,200	17,280	-1,920		23,760	21,840	-1,920	
	TOTAL LEVEL	509,556	421,653	381,932	-39,721		491,145	453,522	-37,623	
2100	CONTRACTED SERVICES	14,879	10,292 ✓	7,321	-2,971		10,836	7,693	-3,143	
2200	SUPPLIES & MATERIALS	87,819	13,308 ✓	9,032	-4,276		14,106	9,572	-4,534	
2300	COMMUNICATIONS	15,000	16,589 ✓	11,530	-5,059		18,264	12,897	-5,367	
2400	TRAVEL	3,893	2,021	2,018 ✓	-3		2,114	2,110	-4	
2500	RENT	184,726	289,908	212 ~~84,554~~	-205,354		323,440	95,037	~~-228,403~~	
2700	REPAIR & MAINTENANCE	80,158	108,210	10,550 ~~85,510~~	~~-22,700~~		~~122,704~~	94,639	~~-28,065~~	
2800	OTHER EXPENSES	726	36,686	23,154	-13,532		31,233	49 17,274	-13,959	
2900	GOODS PURCHASED FOR RESALE	362,844	419,750 ✓	311,118	-108,632		499,472 ~~503,249~~	384,282	-118,967	
	TOTAL LEVEL	750,045	896,764	534,237	-362,527		1,025,946	623,504	-402,442	
3100	EQUIPMENT	90,091	204,361	158,634	-45,727		161,463	116,276	-45,187	
	TOTAL LEVEL	90,091	204,361	158,634	-45,727		161,463	116,276	-45,187	
	Total Program	1,349,692	1,522,778	1,074,803	-447,975		1,678,554	1,193,302	-485,252	
01100	GENERAL FUND	37,871	38,148		-38,148		38,971		-38,971	
06530	PUBLICATIONS & GRAPHICS	1,311,821	1,484,630	1,074,803	-409,827		1,639,583	1,193,302	-446,281	
	TOTAL PROGRAM	1,349,692	1,522,778	1,074,803	-447,975		1,678,554	1,193,302	-485,252	

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

exhibit 3
2/15/83

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 33 WORKERS COMPENSATION JUDGE
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	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)	7.00	9.00	~~7.00~~ 9.00	-2.00	. .	9.00	7.00	-2.00	__.__.__
1100	SALARIES	152,259	200,153	161,200	-38,953	. .	200,301	160,586	-39,715	__.__.__
1400	EMPLOYEE BENEFITS	30,452	26,263	21,810	-4,453	. .	27,354	22,112	-5,242	__.__.__
1500	HEALTH INSURANCE		8,640	6,720	-1,920	. .	8,640	6,720	-1,920	__.__.__
	TOTAL LEVEL	182,711	235,056	189,730	-45,326	. .	236,295	189,416	-46,877	__.__.__
2100	CONTRACTED SERVICES	2,036	4,981	-2,761	-7,742	Jud . .	5,255	-2,953	-8,208	__.__.__
2200	SUPPLIES & MATERIALS	4,923	5,270	5,262	-8	. .	5,586	5,575	-11	__.__.__
2300	COMMUNICATIONS	5,558	7,834	6,279	-1,555	. .	7,978	7,109	-869	__.__.__
2400	TRAVEL	15,434	16,762	11,575	-5,187	. .	17,272	11,942	-5,330	__.__.__
2500	RENT	13,078	16,426	9,338	-7,088	. .	17,102	9,882	-7,220	__.__.__
2700	REPAIR & MAINTENANCE	1,661	1,424	546	-878	. .	1,509	578	-931	__.__.__
2800	OTHER EXPENSES	1,625	2,598	1,243	-1,355	. .	2,754	1,315	-1,439	__.__.__
	TOTAL LEVEL	44,315	55,295	31,482	-23,813	. .	57,456	33,448	-24,008	__.__.__
3100	EQUIPMENT		15,245		-15,245	. .	725		-725	__.__.__
	TOTAL LEVEL		15,245		-15,245	. .	725		-725	__.__.__
	Total Program	227,026	305,596	221,212	-84,384	. .	294,476	222,866	-71,610	__.__.__
02447	WORKERS COMP COURT SR	227,026	305,596	221,212	-84,384	. .	294,476	222,866	-71,610	__.__.__
	Total Program	227,026	305,596	221,212	-84,384	. .	294,476	222,866	-71,610	__.__.__

DEPARTMENT OF ADMINISTRATION
WORKERS' COMPENSATION JUDGE

Budget Issues

1) The executive budget includes a modified request for two FTE's (hearing examiner and legal secretary). These employees are necessary for the court to render decisions on its increased caseload in a timely manner ($46,837 in 1984 and $46,728 in 1985).

2) The addition of FTE's results in a corresponding increase in operation expenses. The executive budget includes a request for these costs:

	FY 84	FY 85
Communications	$1,555	$869
Travel	3,193	3,385
Equipment	1,245	725
Total	$5,993	$4,979

3) Correct negative expenditure category (contracted services) created by Fiscal Analyst budget for 1982 supplemental appropriation previously removed from base by OBPP ($7,742 in 1984 and $8,208 in 1985).

4) The executive budget includes a request for $14,000 in 1984 for word processing equipment. Also included are repair and maintenance costs for the word processor ($878 in 1984 and $931 in 1985). The equipment is necessary to allow the court to handle the growing volume of correspondence, preliminary motions, and pre-trial conference records.

5) The executive budget includes requests for out-of-state travel ($2,950 in both 1984 and 1985) and registration fees ($1,355 in 1984 and $1,439 in 1985) to reflect the cost of mandatory legal education.

6) The executive budget request includes an increase in building rent ($7,088 in 1984 and $7,220 in 1985) to reflect the true cost of rent if no space is available in state owned space after the current lease expires in January, 1984.

7) Vacancy savings of 2.15% has been recommended by the Fiscal Analyst in their budget. The total cost based on our executive budget request would be $5,054 in 1984 and $5,080 in 1985. This results in a .25 FTE reduction during each year of the biennium.

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

Approved 2/15/83

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 PERSONNEL PROGRAM
CONTROL : 00023 PERSONNEL

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	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)	32.58	31.00	~~29.00~~ 31.00	-2.00		31.00	29.00	-2.00	
1100	SALARIES	728,262	642,506	606,016	-36,490		640,066	603,702	-36,364	
1300	OTHER COMPENSATION	1,000	1,500		-1,500		1,500		-1,500	
1400	EMPLOYEE BENEFITS	146,472	94,256	87,592	-6,664		95,050	88,919	-6,131	
1500	HEALTH INSURANCE		29,760	27,840	-1,920		29,760	27,840	-1,920	
1800				900	900			900	900	
	TOTAL LEVEL	875,734	768,022	722,348	-45,674		766,376	721,361	-45,015	
2100	CONTRACTED SERVICES	189,251	44,575	21,000 ~~9,957~~ 30,957	63 -34,618		34,240	~~15,498~~ 36,498	-18,742	
2200	SUPPLIES & MATERIALS	28,595	27,216	21,671	-5,545		29,349	22,969	-6,380	
2300	COMMUNICATIONS	25,079	16,110	14,494	-1,616		18,463	16,649	-1,814	
2400	TRAVEL	23,977	15,682	16,576	894		16,930	19,104	2,174	
2500	RENT	32,036	35,929	35,885	-44		39,745	38,035	-1,710	
2700	REPAIR & MAINTENANCE	3,548	4,875	4,728	-147		5,168	5,005	-163	
2800	OTHER EXPENSES	11,050	10,580	10,048	-532		11,214	10,649	-565	
	TOTAL LEVEL	313,536	154,967	113,359	-41,608		155,109	127,909	-27,200	
3100		1,000								
	Total Program	1,190,270	922,989	835,707	-87,282		921,485	849,270	-72,215	
01100	GENERAL FUND	1,187,228	918,817	832,445	-86,372		917,291	845,813	-71,478	
02043	MERIT SYSTEM COUNCIL	3,042	4,172	3,262	-910		4,194	3,457	-737	
	TOTAL PROGRAM	1,190,270	922,989	835,707	-87,282		921,485	849,270	-72,215	

Contracted Service
14,500 Data Processing
1,500
1,111 EEO

21,000 computer services
5,000 lawsuit
600 classified enhancement
1,500 Printing

Vacancy Savings 26,000

exhibit 4
2/15/83

DEPARTMENT OF ADMINISTRATION

PERSONNEL

Budget Issues

1) The executive budget includes $1,500 other compensation (in each year of biennium) for per diem for the Merit System Council. The fiscal analyst omitted these costs.

2) The executive budget retains 2 FTEs (attorney, test specialist (.50), personnel specialist (.50)). These positions are currently filled and are necessary for the operation of the division.

3) The executive budget includes contracted services for the following categories:

	'84	'85
Data processing costs	$21,000	$21,000
Governor's Committee on Employment of the Handicapped (GCEH)	1,461	1,549
Administrative Register	926	982
Eligibility Technician Lawsuit	5,000	
Consultant fees for classification enhancement project	6,000	
Totals	$34,387	$23,531
	28,387	23,531

The remaining difference in '85 is the inclusion of $5,000 by the fiscal analyst for data processing costs for labor negotiations. This cost is included in the executive budget in the schedule above.

4) The executive budget includes costs for printing and other supplies and materials ($5,545 in '84 and $6,380 in '85).

5) The executive budget includes costs for messenger service and to provide communications for GCEH ($1,315 in '84 and $1,394 in '85).

6) The fiscal analyst budget provides travel funds necessary for GCEH and the Classification Enhancement Project.

7) The executive budget includes repair and maintenance expenses for the Merit System Council ($112 in '84 and $119 in '85).

8) The executive budget includes funds for necessary training to prepare staff to assist agency managers in personnel decisions ($562 in '84 and $596 in '85).

9) Vacancy savings of 3.5% has been recommended by the fiscal analyst. The total cost based on our executive budget submission would be $26,881 in '84 and $26,823 in '85. This translates into a 1.10 FTE reduction during each year of the biennium.

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 PERSONNEL PROGRAM
CONTROL : 00027 GROUP BENEFITS

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
0000	FULL TIME EQUIVALENT (FTE)	4.00	4.00		__,___,___	4.00	4.00		__,___,___
1100	SALARIES	74,541	74,434	-107	__,___,___	74,260	74,149	-111	__,___,___
1400	EMPLOYEE BENEFITS	11,256	10,617	-639	__,___,___	11,347	10,770	-577	__,___,___
1500	HEALTH INSURANCE	3,840	3,840		__,___,___	3,840	3,840		__,___,___
	TOTAL LEVEL	89,637	88,891	-746	__,___,___	89,447	88,759	-688	__,___,___
2100	CONTRACTED SERVICES	80,472	25,090 52,288	-28,184	__,___,___	29,725 85,289	55,411	-29,878	__,___,___
2200	SUPPLIES & MATERIALS	14,485	6,011 6,728	-7,757	__,___,___	17,854	6,530 9,629	-8,225	__,___,___
2300	COMMUNICATIONS	3,517	3,509	-8	__,___,___	4,512	4,500	-12	__,___,___
2400	TRAVEL	2,956	2,952	-4	__,___,___	3,091	3,085	-6	__,___,___
2800	OTHER EXPENSES	1,045	764	-281	__,___,___	1,108	808	-300	__,___,___
	TOTAL LEVEL	102,475	66,241	-36,234	__,___,___	111,854	73,433	-38,421	__,___,___
	TOTAL PROGRAM	192,112	155,132	-36,980	__,___,___	201,301	162,192	-39,109	__,___,___
01100	GENERAL FUND	46,000	39,824	-6,176	__,___,___	46,000	39,671	-6,329	__,___,___
06012	GROUP BENEFIT ADMINISTRATION	146,112	115,308	-30,804	__,___,___	155,301	122,521	-32,780	__,___,___
	TOTAL PROGRAM	192,112	155,132	-36,980	__,___,___	201,301	162,192	-39,109	__,___,___

exhibit 5
2/15/83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

exhibit 6
2/15/83

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 23 PERSONNEL PROGRAM
CONTROL : 00028 TRAINING

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
0000	FULL TIME EQUIVALENT (FTE)	1.00	1.00		__,___,___	1.00	1.00		__,___,___
1100	SALARIES	21,637	23,361	1,724	__,___,___	21,555	23,272	1,717	__,___,___
1400	EMPLOYEE BENEFITS	3,131	3,416	285	__,___,___	3,156	3,463	307	__,___,___
1500	HEALTH INSURANCE	960	960		__,___,___	960	960		__,___,___
	TOTAL LEVEL	25,728	27,737	2,009	__,___,___	25,671	27,695	2,024	__,___,___
2100	CONTRACTED SERVICES	31,519	19,001	-12,518	__,___,___	33,407	20,136	-13,271	__,___,___
2200	SUPPLIES & MATERIALS	4,349	4,460	111	__,___,___	4,610	4,724	114	__,___,___
2300	COMMUNICATIONS	3,924	3,920	-4	__,___,___	4,453	4,446	-7	__,___,___
2400	TRAVEL	63	578	515	__,___,___	65	586	521	__,___,___
2700	REPAIR & MAINTENANCE	36	53	17	__,___,___	38	56	18	__,___,___
2800	OTHER EXPENSES	13	11	-2	__,___,___	14	11	-3	__,___,___
	TOTAL LEVEL	39,904	28,023	-11,881	__,___,___	42,587	29,959	-12,628	__,___,___
3100	EQUIPMENT		2,236	2,236	__,___,___		2,365	2,365	__,___,___
	TOTAL LEVEL		2,236	2,236	__,___,___		2,365	2,365	__,___,___
	TOTAL PROGRAM	65,632	57,996	-7,636	__,___,___	68,258	60,019	-8,239	__,___,___
06525	INTERGOVERNMENTAL TRAINING	65,632	57,996	-7,636	__,___,___	68,258	60,019	-8,239	__,___,___
	TOTAL PROGRAM	65,632	57,996	-7,636	__,___,___	68,258	60,019	-8,239	__,___,___

exhibit 7
2/15/83

1982

ANNUAL FINANCIAL REPORT

OF THE

LIQUOR ENTERPRISE REVOLVING FUND

ADMINISTERED BY THE

DEPARTMENT OF REVENUE

MONTANA DEPARTMENT OF REVENUE

Sam W. Mitchell Bldg.
Helena, Montana

THE GREAT SEAL OF THE STATE OF MONTANA
ORO Y PLATA

exhibit 8
2/15/83

LIQUOR DIVISION BUDGET PRESENTATION

TO APPROPRIATIONS SUBCOMMITTEE

February 15, 1983

SUMMARY OF PRESENTATION

I In 1979 the Legislature initiated a new "open-ended", or non-appropriated budget for the Liquor Division in recognition of its status as an enterprise operation.

II For the 1983 biennium, the appropriations language specified that the Division deposit not less than $13 million, that profits not be less than 15 percent of net sales, and that operational expenses not exceed 15 percent of net sales.

A. The double criteria of a specified minimum amount along with 15 percent of net sales was established so that if sales increased to the extent that 15 percent exceeded the minimum the Legislature sought whichever was more.

B. Because of declining sales, 15 percent of net sales has become almost the same figure as the specified minimum. Based upon sales trends through December, 1982, by the end of the current biennium 15 percent of net liquor sales is estimated to be $13,019,225.

C. House Bill 40, eliminating the current profit mandate, was passed by the Legislature and signed into law by the Governor on February 4, 1983.

III Had the profit mandate remained in effect, the Division would have fallen short of the $13 million minimum by approximately $2,233,000. Based upon sales trends through December, 1982, it is estimated that the Division should be able to return a profit of approxmiately $10,767,000 to the general fund.

IV The reason for the shortfall above is declining sales during the current economic downturn. As of December, 1982, gross liquor sales were down .87 percent from the same period last year. In the past, gross sales have increased between four and eight percent every year, so that any decline represents a net decrease of about that amount. Unit, (bottle), sales have declined 4.88 percent.

V Legislative auditors, in the performance audit recently conducted on the Division and released in December, stated that a preferable method to a mandated profit amount would be to require the Division to return a reasonable, fixed percentage of sales to the general fund.

VI The Division requests a smiliar open-ended budget for the next biennium. Hopefully, as the economy improves and sales return to previous levels such a funding arrangement will allow the Division more flexibility to adapt to such changes and maximize its efficiency as a business.

VII The first three graphs indicate savings which have been attained recently under open-ended funding.

A. Exhibit A. Personnel Comparisons; FY 1978 to 1983.

B. Exhibit B. Comparison: Total Number of State Liquor Stores and Agencies.

C. Exhibit C. Inventory Reductions by Units; May-December, 1981-1982.

VIII The following graphs indicate various expenditure and income amounts for the Division.

A. Exhibit D. Total Merchandising Operation Expense - Dollar Breakdown; FY 1982.

B. Exhibit E. Total Stores' Expense-Dollar Breakdown; FY 1982.

C. Exhibit F. Gross Sales Dollar Disbursement; FY 1982.

IX Under open-ended funding for the next biennium, and applying the recommendation of the legislative auditors, the Division feels that 12.5 percent of net sales would constitute a fair and reasonable profit goal. For the current biennium, the Division estimates that the net profit amount will be 12.4 percent of net sales, (Gross sales minus discounts and taxes); 9.76 percent of gross sales, and 9.9 percent of adjusted gross sales, (minus discounts only).

X As indicated previously, the Division has also been required to operate within an expenditure limitation of 15 percent of net sales. At the end of the Fiscal Year 1982 the Division had expended 14.43 percent of net sales. As of December, 1982, the Division's expenses amounted to 12.71 percent of net sales, and thus remained within the expense limitation.

XI Based upon two primary assumptions, the Division requests an increase in its expenditure limit for the next biennium. At current expense trends, the Division should finish the present fiscal year with expenses at approximately 14.4 percent of net sales. Thus, it appears that the Division will be about $246,438 below the expenditure limit. However, if sales continue to decline at the present trend, and if inflation will cause expenses to increase at the rate of eight percent per year as projected by the Budget Office, the current limitation probably will not suffice.

A. Using the two assumptions above, net sales are estimated to be $42,807,800 and $42,435,372 for fiscal years 1984 and 1985 respectively. Operating expenses are estimated to be $7,269,565 and $7,851,130 for fiscal years 1984 and 1985 respectively. These expenses exclude allocable expenses to other Department of Revenue Divisions as specified in a letter from Representative Earl Lory dated March 30, 1981, included at the back of this report. Thus, operating expenses are estimated to be 16.98 percent and 18.5 percent for fiscal years 1984 and 1985 respectively. The average for the biennium would therefore be 17.7 percent.

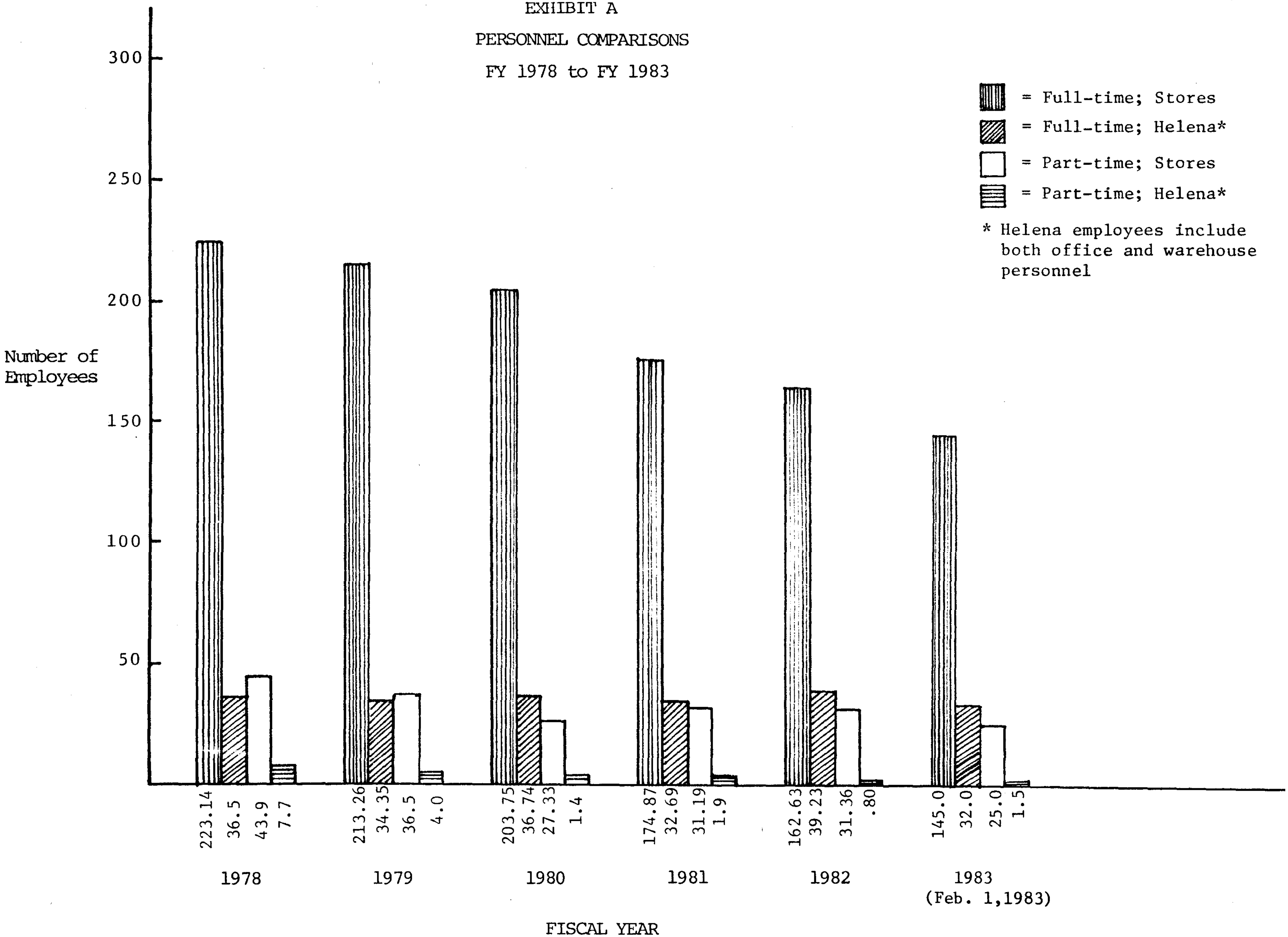
B. If sales should return to any amount approximating prior levels, and inflation continues to abate, the Division will make every effort to remain as close to the present fifteen percent limitation as possible.

XII In either of the situations referred to in subparagraphs A or B of paragraph XI, the Division seeks to install a point-of-sale, computerized cash register system in ten of the largest state stores. The estimated cost of installation will be approximately $280,000. An explanation of the POS program is explained at the back of this report.

EXHIBIT A

PERSONNEL COMPARISONS

FY 1978 to FY 1983



EXHIBI

COMPARISON: TOTAL NUMBER OF STATE LIQUOR STORES AND AGENCIES

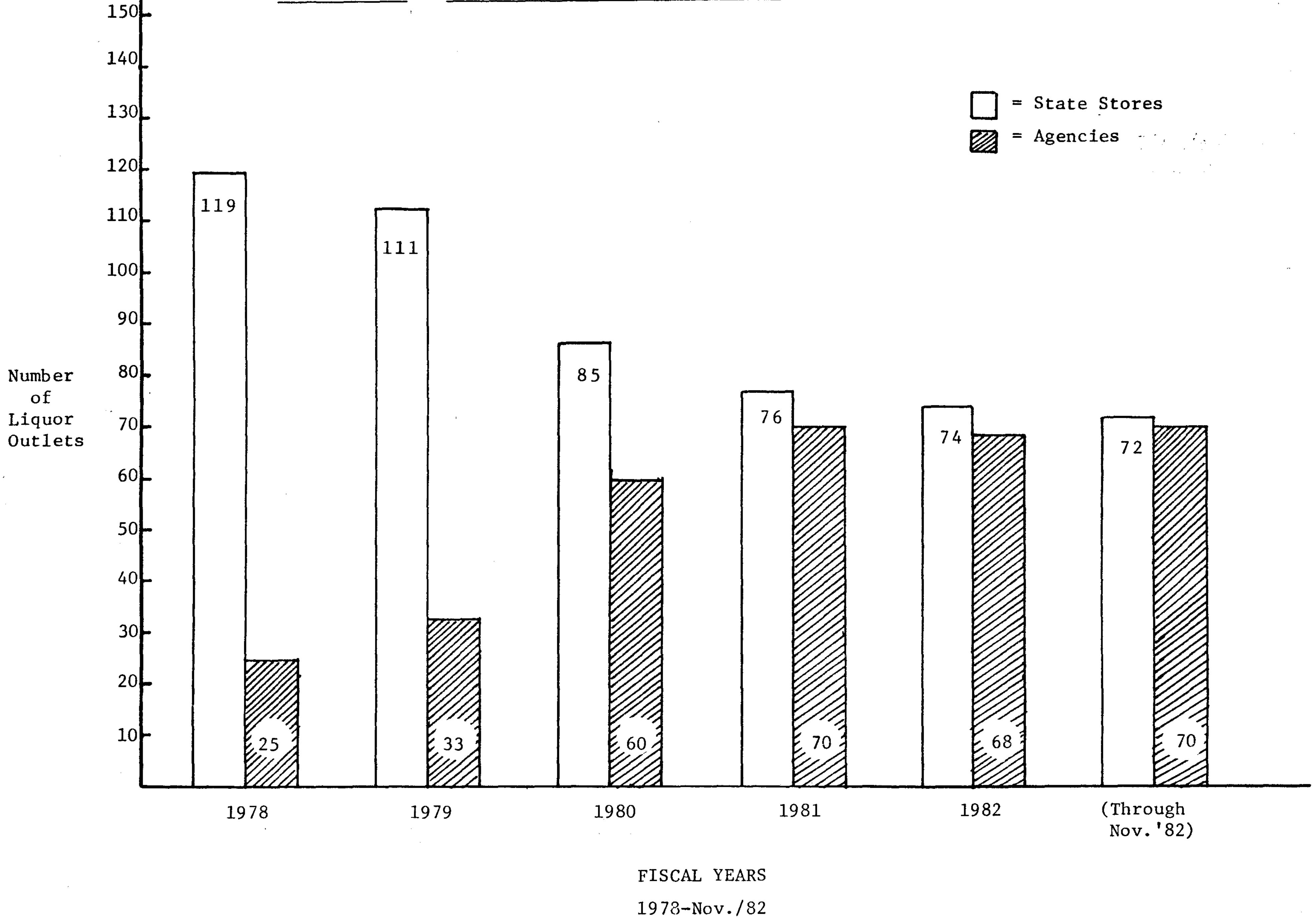


EXHIBIT C

INVENTORY REDUCTION
(BY UNITS)

May - December
1981-1982

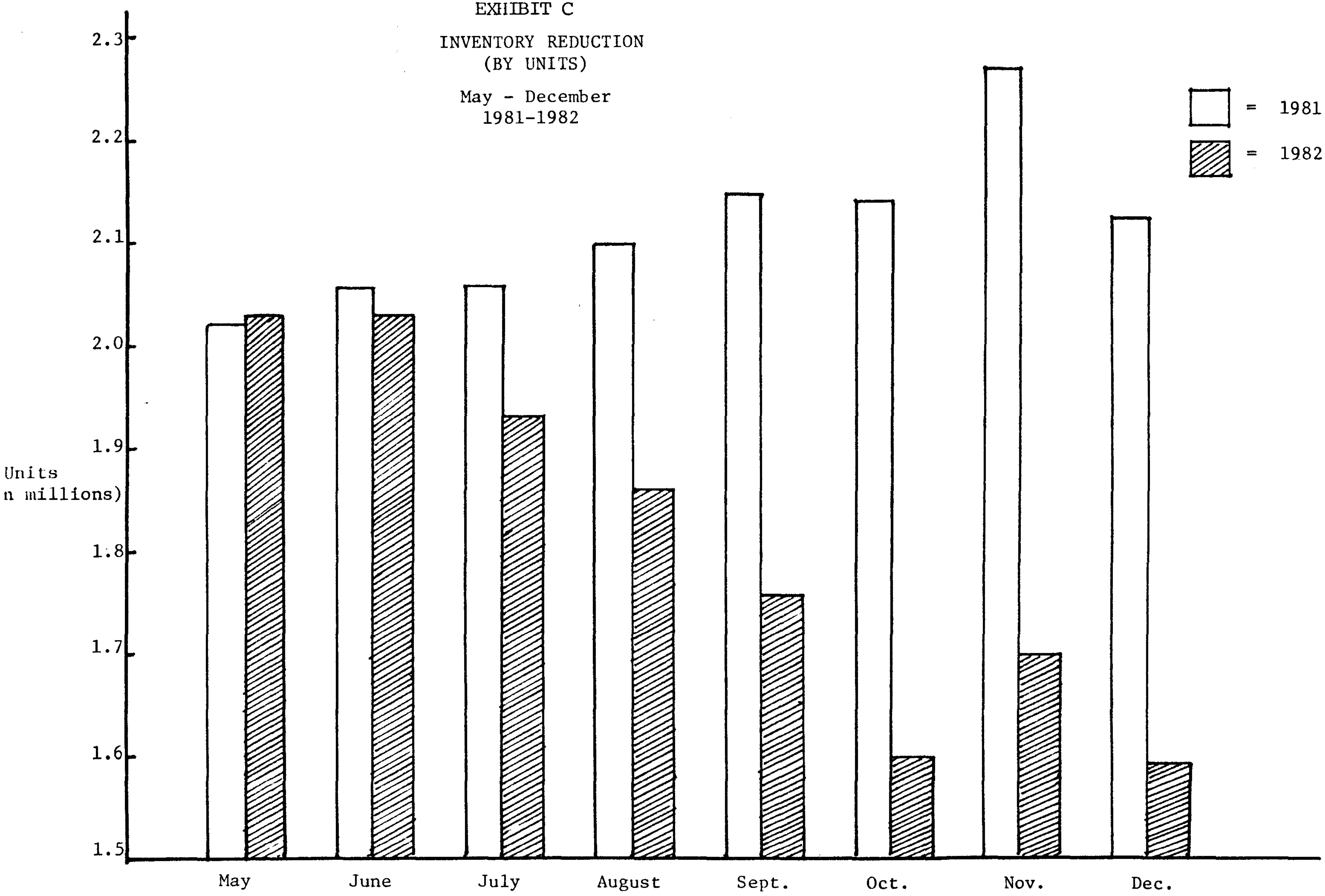


EXHIBIT C

INVENTORY REDUCTION
(By Units)

	1981	1982	Difference	Percent Change
May	2,022,912	2,032,264	+ 9352	+ .05
June	2,060,210	2,032,605	(27,605)	- 1.3
July	2,062,565	1,932,322	(130,243)	- 6.3
August	2,100,725	1,865,539	(235,186)	-11.2
September	2,149,909	1,763,091	(386,818)	-18.0
October	2,146,349	1,602,372	(543,977)	-25.4
November	2,270,143	1,707,549	(562,294)	-24.7
December	2,125,349	1,599,640	(525,709)	-24.8

Average retail sale price per unit as of December 31, 1982: $7.08.

Net reduction in units as of December, 1982:

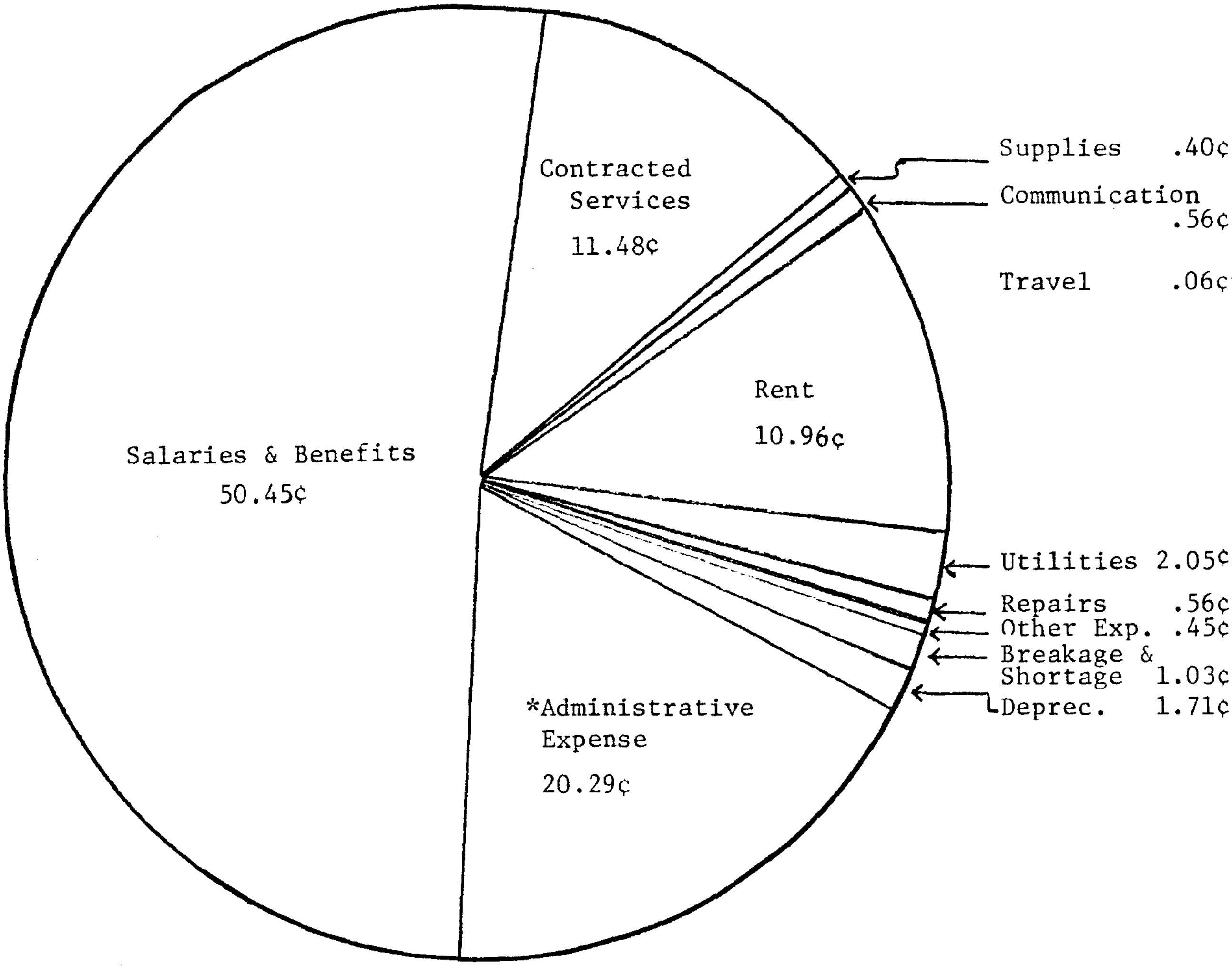
525,709 x $7.08 = $3,722,020 inventory reduction.

EXHIBIT D

TOTAL MERCHANDISING OPERATION EXPENSE

Dollar Breakdown

Fiscal Year 1982



*Administrative Expense includes Purchasing Bureau, Warehouse Bureau, Support Divisions' Cost, Stores' Bureau Administration, and portion of Liquor Division Administration.

EXHIBIT D

FROM FRE 1982 SBAS AND ANNUAL REPORT

$ 206,838	80% Administration
134,702	Purchasing
314,460	Warehouse
335,515	Stores Bureau
314,959	Other Division
$1,306,474	Administrative Cost

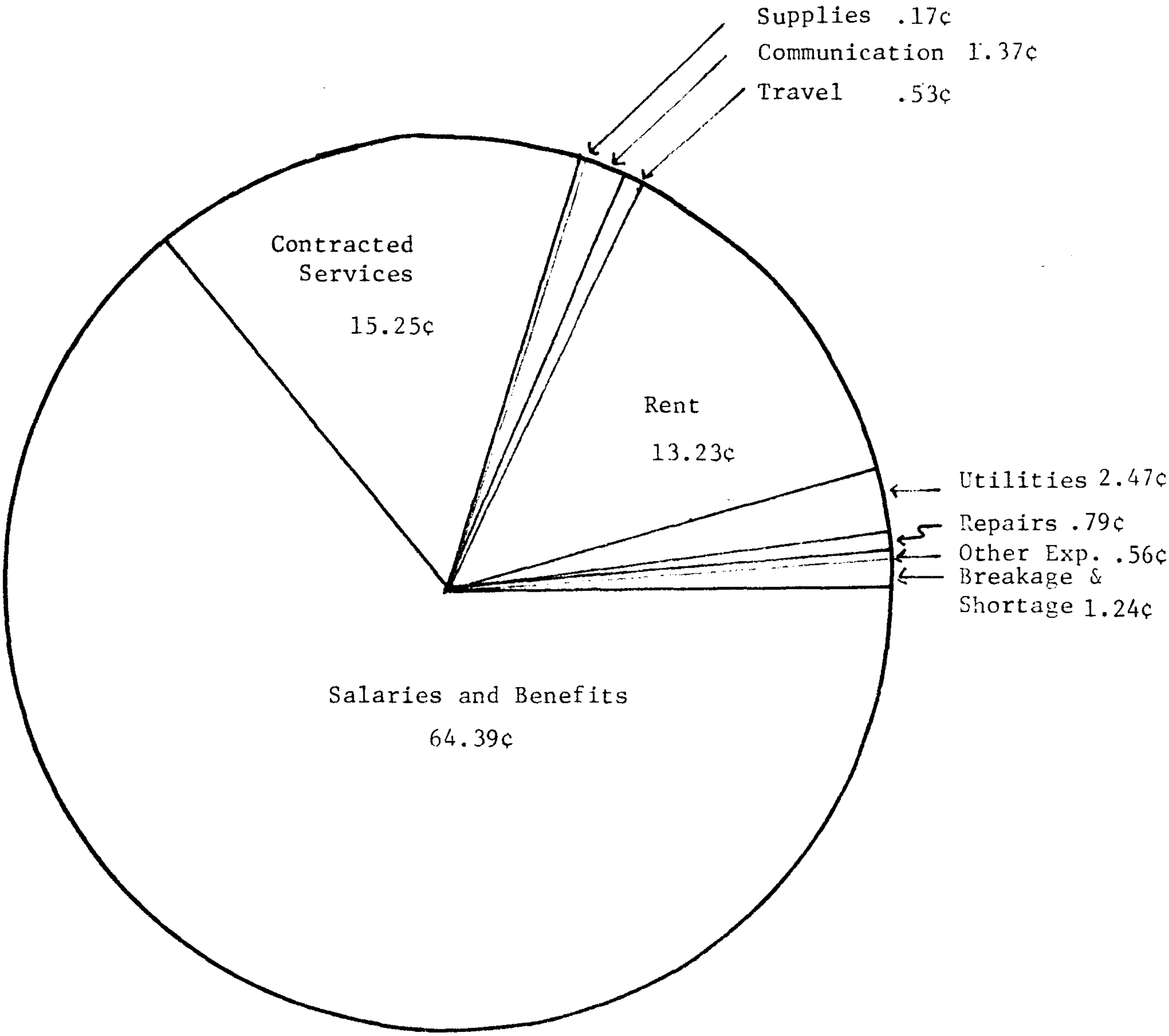
Salaries and Benefits	$3,248,170	50.45
Contracted Services	739,315	11.48
Supplies	25,908	.40
Communication	35,691	.56
Travel	3,566	.06
Rent	705,882	10.96
Utilities	132,259	2.05
Repairs	36,047	.56
Other Expenses	29,223	.45
Breakage/Shortages	66,191	1.03
Depreciation	110,142	1.71
Administrative Expenses	1,306,474	20.29
	$6,438,868	100.00

EXHIBIT E

RETAIL STORES EXPENSE

Dollar Breakdown

Fiscal Year 1982

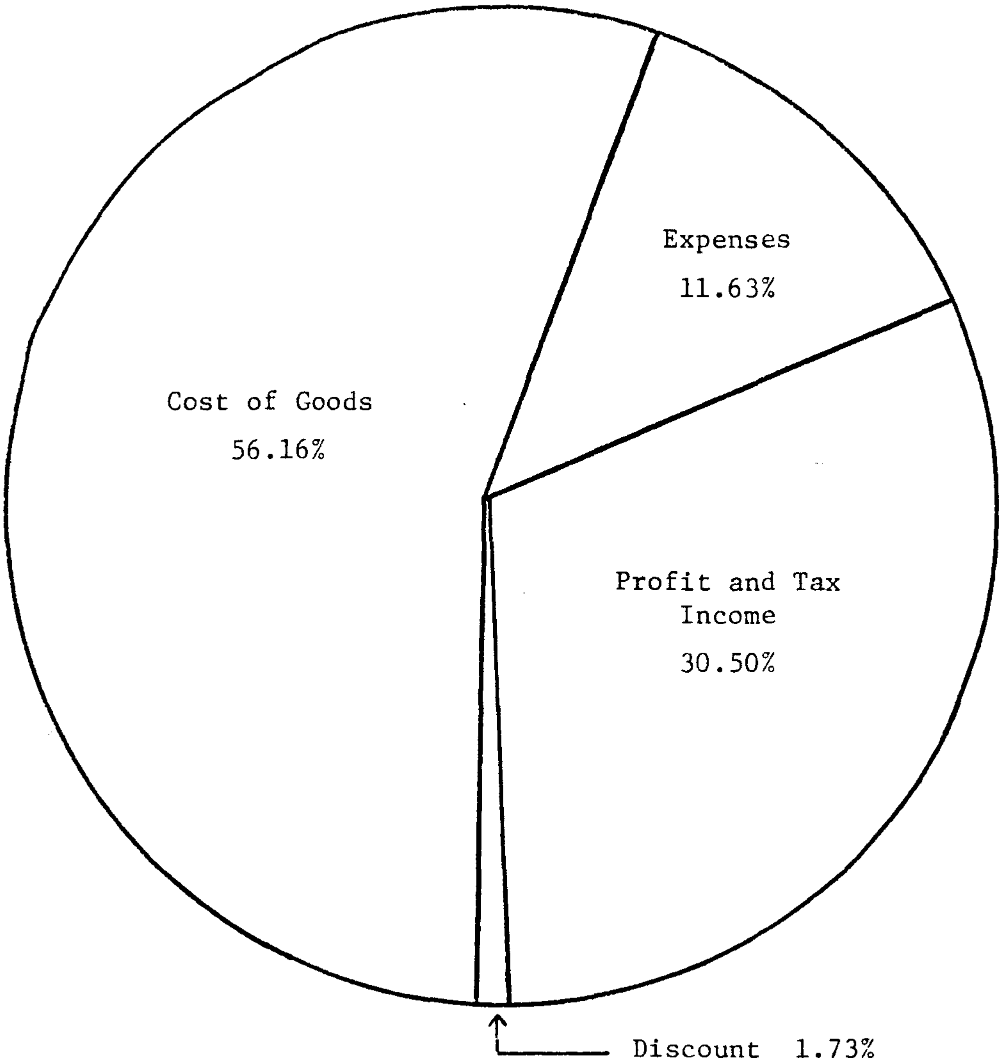


Salaries and Benefits	3,450,102
Contracted Services	816,945
Supplies	9,059
Communication	73,281
Travel	28,322
Rent	709,182
Utilities	132,246
Repairs	42,660
Other Expenses	29,789
Breakage and Shortage	66,191
	5,357,777

EXHIBIT F

GROSS SALES DOLLAR DISBURSEMENT

1982 Fiscal Year



Gross Sales	55,356,063	
Discount	960,241	1.73%
Cost of Goods	31,088,377	56.16%
Expenses	6,438,869	11.63%
Profit and Tax Income	16,882,142	30.50%

POINT-OF-SALE PROGRAM

Pilot Store Program

Cost to date:

$10,450	- lease amount for equipment
36,000	- programming costs
4,700	- personal computer (manager's terminal)
19,000	- processing and compiling costs
$70,150	

If the cash registers are purchased, much of the lease amount indicated above will apply towards the purchase price. An additional $14,000 will be necessary to purchase the machines. The machines can be used to replace older cash registers in the system which are almost depreciated out, although the former will obviously not be used up to full capacity. The program, the personal computer, and much of the processing costs, (as markup to the value of the program), may be sold and their cost recovered if POS is not implemented.

The pilot program, in the opinion of the Research and Information Division, has been successful. All of the essential functions of the system are performing as expected and store personnel are pleased with the equipment. A one-time inventory reduction of 37 percent has been attained. This represents a retail value of merchandise in excess of $71,000. The cost of hardware for the project, (the proper amount to use since this will constitute most of the cost of installing the system in additional stores), was less than $20,000.

Cost Benefit

Installing POS in grade twelve stores:

Amount of inventory taken out of grade twelve stores to date: 158,138 units x $7.08 per unit = $1,119,617. A return on investment of this amount at 12 percent yields $134,354 the first year.

Installation costs in 10 stores at $26,000 per system is $260,000.

(Note: Grade twelve stores do 37 percent of the Division's business).

Installing POS in grades twelve and eleven stores:

> Amount of inventory taken out of grades twelve and eleven stores to date: 332,206 units x $7.08 per unit = $2,281,218. A return on investment of this amount at 12 percent yields $273,746 the first year.

Installation costs in 28 stores at $26,000 per system is $728,000.

(Note: Grades 12 and 11 stores do 63 percent of the Division's business).

It is understood that POS has not been responsible for the significant store inventory reductions which occurred in 1982. This was a manual effort which the Division initiated on a one-time basis because of the dimensions of the problem. However, the Division does not possess a management reporting system which can monitor inventories to insure that they remain at acceptably low levels. Implementation of POS will guarantee that savings accrued by the one-time reduction program will continue, and assuredly bring about additional inventory reductions as well.

In addition, an electronic POS system will, among other things, maintain perpetual inventories in every store, provide a means for forecasting store orders, eliminate monthly inventory counts, allow faster checkout by scanning all universal product bar-coded items, automatically update price and brand changes via downloading from the central processor, eliminate numerous forms and paperwork, monitor sales activity by time of day allowing for better staff utilization, maintain a central dishonored check file, and generally improve overall timeliness of information reporting for better management and decision making.

The recent performance audit of the Division endorsed the concept of POS throughout the report. Recommendation #13 called for revising the Liquor Information Management System, (LIMS), of which POS is an integral part, "immediately".

For all of the above reasons the Division requests that the expenditure limitation for the 1985 biennium specifically include an allowance for implementing POS in the grade twelve stores at minimum. Installing the system to that extent will resolve almost forty percent of the current management information problem. This will entail an expenditure of approximately $280,000. As previously indicated, the system will pay for itself many times over very quickly.

The Big Sky Country

MONTANA STATE HOUSE OF REPRESENTATIVES

Representative Earl C. Lory
House District No. 99
4795 Miller Creek Rd.
Missoula, Montana 59801

Committees:
Appropriations,
Education

March 30, 1981

Ms. Ellen Feaver, Director
Department of Revenue
Mitchell Building
Helena, Montana 59620

Dear Ms. Feaver:

This letter documents certain agreements reached between the appropriations subcommittee reviewing the department's budget and you during recent budget hearings.

1. Liquor Revolving Funds are to be appropriated to fund, in part, the Research and Information Division, the Audit and Accounting Division and the Investigation Division. This funding is not related to services to be provided.

2. Data Entry costs will be paid by all non-general funded programs, except the Liquor Division. Such costs paid by these programs will reduce the Research and Information Division's spending authority on a dollar for dollar basis.

3. During the subcommittee hearings we agreed that that the Liquor Division would be charged for costs of services provided by the Research and Information Division. Due to the appropriation language changes made in the full appropriation committee, this agreement is no longer appropriate or applicable.

4. The 15% limit on expenses for the liquor merchandising operation does not include amounts used to fund other divisions. These amounts total $521,912 in FY 1981-82 and $515,713 in FY 1982-83.

Sincerely,

Earl Lory

Representative Earl Lory
Chairman
Appropriation Subcommittee,
Elected Officials

exhibit 9
2/15/83

The Liquor Division seeks clarification and direction on the following policy questions concerning the operation:

1. Should the Division continue to run marginally profitable stores until a lease expires or a store manager retires? This was the criteria established last session by the appropriations subcommittee. (See 1982 Legislative Performance Audit recommendation #7).

2. Should the Division close marginally profitable agency stores?

3. Should the Division continue to extend store hours in attempting to obtain additional sales?

4. Should the Division be permitted to advertise, particularly for its table wines which are consistently cheaper than those carried by the private sector?

5. Should the Division require licensees to purchase only from assigned state liquor stores in larger cities? (See 1982 Legislative Performance Audit recommendation #5).

6. Should the Division raise the markup on low-priced, marginally profitable products? (See 1982 Legislative Performance Audit recommendation #9).

7. Should the Division proceed with the Point-of-Sale program? (See 1982 Legislative Performance Audit, pages 19, 20, 34, 35, and 37, and recommendations #3, #4, #13, and #15).

8. What should be the primary mission of the Liquor Division? (See 1982 Legislative Performance Audit recommendation #17).

The state liquor enterprise was established following repeal of Prohibition, along with seventeen other control states, primarily to effect control over the distribution, sale, and consumption of beverage alcohol. In control states, 23 percent less liquor is consumed per capita, while 15 percent more per capita revenue is raised from alcohol, than in open states. The latter is obviously due to the fact that since liquor enterprises in control jurisdictions are owned by the state's citizens, all revenues derived from such operations are returned to public coffers rather than private hands. The philosophy of control states has generally been to concentrate, by definition, on control, with profit as a secondary motive. The Montana Liquor Division is the only control state entity to have had a profit mandate imposed upon it, (see 1982 Legislative Performance Audit, page 42).

Control states have primarily attempted to accomodate a natural, unstimulated demand for beverage alcohol, but not to aggressively merchandise it. However, the requirement to return a specific amount of profit has caused the Montana Liquor Division to engage in competitive merchandising practices in order to actively increase sales and profits. This, in turn, has irritated many private sector licensees. Moreover, efforts to increase prices, close marginally profitable stores, and engage in other actions designed to produce mandated profit amounts have met with strong political opposition.

The Division's profit mandate has been eliminated for the current biennium by passage of House Bill 40. However, the question of clarification of mission remains. Does the Legislature want the Liquor Division to emphasize profit, control, or service in the coming biennium? As stated in the 1982 Legislative Performance Audit report, "The Legislature is similar to a board of directors for a private firm. As such, the Legislature needs to give clear direction to the Division on how it wants the liquor merchandising system operated...Otherwise, the Division will not have direction about what the Legislature wants done, and therefore may not be as efficient and effective as possible."

DEPARTMENT OF REVENUE

TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

February 11, 1983

MEMORANDUM

TO: Ellen Feaver,
Director

FROM: Don Bentson, Administrator
Centralized Services Division

Subject: Legislative Subcommittee Request

During the subcommittee hearing on the Centralized Services Division a question arose as to the portion of the requested travel increase that related to liquor auditing. The requested increase is \$2,039 (84) and \$2,115 (85) one-third of which would be for liquor audit purposes or \$680 (84) and \$705 (85).

ex 4
2-15

DEPARTMENT OF REVENUE
SUMMARY OF BUDGET MODIFICATION REQUESTS
FISCAL YEARS 1984 AND 1985

Modification (Reference)	1984 Cost	1984 Estimated Revenue Produced	1985 Cost	1985 Estimated Revenue Produced
1. Four data entry operators to enter reappraisal data. (31)	$ 55,600	$	$ 54,709	$
2. Upgrade computer to manipulate reappraisal data "in-house". (32)	50,000		52,500	
3. Computer operator for second shift. (33)	11,211		11,246	
4. Word processing equipment and operator. (34)	29,746		31,531	
5. Two Programmers for development projects. (36)	64,077		64,331	
6. Development and operation costs for Child Support Enforcement A/R. (401)	40,000			
7. Three investigators for liquor control and welfare fraud. (402)	83,653		74,961	
8. 6.5 F.T.E. to increase withholding and compliance efforts. (61)	119,398	1,300,000	109,593	1,300,000
9. Two F.T.E. to increase collection efforts. (62)	42,973	1,000,000	42,171	1,000,000
10. Development and operating costs for redesigned tax withholding system. (63)	30,707	200,000	28,000	200,000
11. 1.5 F.T.E. to increase field audits for withholding. (64)	32,202	200,000	31,366	200,000
12. Development and operating costs for improvement of A/R system. (65)	17,000		16,000	
13. 1.5 F.T.E. and costs for taxpayer assistance during income tax season (66)	38,828		33,133	
14. Development and operating costs for Natural Resources and Corporation data base system. (71) (a) Two auditors to implement a mineral royalty audit. (b) One Clerk to assist auditors.	93,178	1,200,000	112,397	1,200,000
15. Replace 23 appraisers vehicles. (801)	145,600			
16. Twenty three additional appraisal staff. (802)	356,839		348,732	
17. Computer Costs for reappraisal data. (803)	89,888		95,281	
18. Additional agricultural and industrial appraisers. (804)	90,132		88,281	
19. Funds to participate in county computerization of tax bills. (806)	211,813			
TOTALS	$1,602,845	$3,900,000	$1,194,232	$3,900,000

Dept. of Revenue
Liquor

Comparative Report of Operations

	December 1982	FYE 12-31-82 TO DATE	PRIOR YR. 12-31-81 TO DATE	% INCREASE (DECREASE) FROM PRIOR Y
Sales Units	1,080,644	4,362,031	4,585,902	(4.88%)
Total Sales	$7,597,432	$30,900,490	$31,170,809	(0.87%)
Less Discount	110,179	495,741	527,480	(6.02%)
Adjusted Gross Sales	$7,487,253	$30,404,749	$30,643,329	(0.78%)
Cost of Sales	4,303,820	$17,393,861	$17,522,147	
Gross Profits	$3,183,433	$13,010,888	$13,121,182	(0.84%)
Operating Expenses:				
Store Expense				
Personal Services	$ 269,560 1/	$ 1,597,390	$ 1,506,331	
Contracted Services	64,077	349,994	320,866	
Supplies	982	8,479	13,150	
Comm.-Trans.	55,057	312,223	306,529	
Travel	0	88	2,589	
Rent	60,861 2/	425,087	403,571	
Utilities	12,017	45,977	41,951	
Repairs	290	15,262	10,065	
Other Expenses	473	6,846	17,201	
Breakage-Shortage	8,685	35,270	34,933	
Admin Central Office Expense	121,941	628,331	526,786	
Other Div Expense Allocation	52,205	313,230	256,416	
Total Operating Expenses	$ 646,148	$ 3,738,177	$3,440,388	8.66%
Total Revenues	$2,537,285	$ 9,272,711	$9,680,794	(4.22%)
Taxes	1,476,813	$ 6,062,486	$6,095,192	
NET PROFIT	1,060,472	$ 3,210,225	$3,585,602	(10.47%)

1/ Includes payroll expenditures through December 10, 1982.
2/ Includes the following month's rent as rent is paid one month in advance.

	LIQUOR EXPENSES*	LIQUOR PROFITS	LIQUOR NET SALES**
AMOUNT	$3,093,748	$3,210,225	$24,342,263
PERCENTAGE	12.71%	13.19%	100.00%

* Liquor expenses are adjusted for overs (shorts), other division expenditures allocations and freight to stores costs.
**Liquor net sales are total sales less discounts and all taxes.

SOURCE OF INFORMATION IN THIS REPORT
All sales unit information and dollar information through gross profits, and the taxes are derived from the liquor inventory system. The remainder of the expense items are from the Statewide Budget and Accounting System (SBAS) and are as charged in SBAS except for other division expenditures which are budgeted amounts allocated equally to each month of the year and shortages which are 0.116% of adjusted gross sales (based on a

exhibit 10
2/15/83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 37 STATE TAX APPEAL BOARD
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	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)	5.50	5.50	5.50			5.50	5.50		
1100	SALARIES	115,438	119,597	119,543	-54		119,139	119,065	-74	
1300	OTHER COMPENSATION	32,700	41,624	32,700	-8,924		32,700	32,700		
1400	EMPLOYEE BENEFITS	23,088	16,217	16,973	756		16,358	16,908	550	
1500	HEALTH INSURANCE		5,280	5,280	-0-		5,280	5,280		
	TOTAL LEVEL	171,226	182,718	174,496	-8,222		173,477	173,953	476	
2100	CONTRACTED SERVICES	65,974	117,860	56,138	-61,722		104,568	59,488	-45,080	
2200	SUPPLIES & MATERIALS	14,205	7,626	7,622	-4		8,084	8,077	-7	
2300	COMMUNICATIONS	9,770	10,834	10,164	-670		12,290	11,578	-712	
2400	TRAVEL	18,592	17,744	17,740	-4		18,518	18,511	-7	
2500	RENT	11,753	7,551	8,670	1,119		8,356	9,190	834	
2700	REPAIR & MAINTENANCE	403	1,163	1,160	-3		1,233	1,229	-4	
2800	OTHER EXPENSES	530	3,588	3,082	-506		3,804	3,265	-539	
	TOTAL LEVEL	121,227	166,366	104,576	-61,790		156,853	111,338	-45,515	
3100	EQUIPMENT	193	5,200	5,200	-0-					
	TOTAL LEVEL	193	5,200	5,200	-0-					
	TOTAL PROGRAM	292,646	354,284	284,272	-70,012		330,330	285,291	-45,039	
01100	GENERAL FUND	292,646	354,284	284,272	-70,012		330,330	285,291	-45,039	
	TOTAL PROGRAM	292,646	354,284	284,272	-70,012		330,330	285,291	-45,039	

DEPARTMENT OF ADMINISTRATION

State Tax Appeals Board

Budget Issues

1) The executive budget includes a modified per diem request of $8,924. The board anticipates that its caseload of property tax cases will increase substantially in the next two years.

2) House Bill 286 was introduced to increase compensation of county tax appeal board members. If this bill is approved, additional general funds of $26,160 will be needed in each year of the biennium. Currently, neither the executive or fiscal analyst budgets include this amount.

3) The executive budget includes modified requests for contracted services ($70,574 in '84 and $45,000 in '85). These funds are necessary to handle both the backlog of present cases and the anticipated increase in workload in the next two years.

4) Vacancy savings of 1% has been recommended by the fiscal analyst. The total cost based on our executive budget request (excluding per diem) would be $1,411 in '84 and $1,408 in '85. This translates into a .06 FTE reduction in each year of the biennium.

exhibit 11
2/15/83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

AGENCY : 6101 DEPARTMENT OF ADMINISTRATION
PROGRAM : 35 PERS DIVISION
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	FY83	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)	24.25	22.25	22.25			22.25	22.25		
1100	SALARIES	481,094	381,834	380,632	-1,202		380,412	379,186	-1,226	
1200	HOURLY WAGES		3		-3		3		-3	
1300	OTHER COMPENSATION		425		-425		425		-425	
1400	EMPLOYEE BENEFITS	15,515	54,985	53,465	-1,520		55,426	54,298	-1,128	
1500	HEALTH INSURANCE		21,360	21,360			21,360	21,360		
	TOTAL LEVEL	496,609	458,607	455,457	-3,150		457,626	454,844	-2,782	
2100	CONTRACTED SERVICES	137,337	238,088	199,143	-38,945		216,955	187,166	-29,789	
2200	SUPPLIES & MATERIALS	13,499	17,196	17,190	-6		18,228	18,219	-9	
2300	COMMUNICATIONS	37,550	36,772	36,766	-6		41,552	41,542	-10	
2400	TRAVEL	10,829	12,576	12,569	-7		13,106	13,094	-12	
2500	RENT	19,713	18,195	18,190	-5		19,286	19,280	-6	
2600	UTILITIES	4,160	4,943	4,940	-3		6,147	6,143	-4	
2700	REPAIR & MAINTENANCE	3,207	4,248	4,247	-1		4,503	4,501	-2	
2800	OTHER EXPENSES	849	1,123	1,117	-6		1,191	1,181	-10	
	TOTAL LEVEL	227,384	333,141	294,162	-38,979		320,968	291,126	-29,842	
3100	EQUIPMENT		14,492	300	-14,192		500	500		
	TOTAL LEVEL		14,492	300	-14,192		500	500		
	TOTAL PROGRAM	723,993	806,240	749,919	-56,321		779,094	746,470	-32,624	
09507	PERD	723,993	806,240	749,919	-56,321		779,094	746,470	-32,624	
	TOTAL PROGRAM	723,993	806,240	749,919	-56,321		779,094	746,470	-32,624	

DEPARTMENT OF ADMINISTRATION

Public Employees' Retirement Division

Budget Issues

1) The LFA budget does not include $25,000 in FY84 and $15,000 in FY85 for data processing services to study and redesign the Social Security Program.

2) $463 should be included in FY84 and FY85 to reflect new insurance and bond rates.

3) Additional attorney's fees and court costs amount to $13,283 in FY84 and $14,080 in FY85.

4) The LFA budget has not included $14,192 in FY84 to cover the cost of a word processor.

25 000
13 283
38 283
463
38 746

exhibit 12
2/15/83

REPORT EBSR100
DATE : 01/08/83
TIME : 16/25/25

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

AGENCY : 6105 TEACHERS RETIREMENT BOARD
PROGRAM : 01 TEACHERS RETIREMENT PROGRAM
CONTROL : 00000

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	FY83	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)	10.58	10.58	10.58			10.58	10.58		
1100	SALARIES	174,049	174,974	176,104	1,130		174,595	175,435	840	
1300	OTHER COMPENSATION	1,200	1,125		-1,125		1,125		-1,125	
1400	EMPLOYEE BENEFITS	34,812	25,196	24,744	-452		25,438	25,107	-331	
1500	HEALTH INSURANCE		10,157	10,156	-1		10,157	10,156	-1	
	TOTAL LEVEL	210,061	211,452	211,004	-448		211,315	210,698	-617	
2100	CONTRACTED SERVICES	53,743	65,408	57,073	-8,335		40,255	33,957	-6,298	
2200	SUPPLIES & MATERIALS	7,502	7,984	7,984			13,063	9,462	-3,601	
2300	COMMUNICATIONS	20,694	20,411	20,410	-1		23,019	23,017	-2	
2400	TRAVEL	7,112	6,626	5,866	-760	Training Session	6,889	6,126	-763	Training Session
2500	RENT	28,983	23,897	23,895	-2		25,331	25,327	-4	
2600	UTILITIES	2,945	4,109	4,107	-2		5,052	5,048	-4	
2700	REPAIR & MAINTENANCE	724	219	218	-1		232	231	-1	
2800	OTHER EXPENSES	750	847	844	-3		898	893	-5	
	TOTAL LEVEL	122,453	129,501	120,397	-9,104		114,739	104,061	-10,678	
3100	EQUIPMENT	-	2,288	2,288			10,000		-10,000	
	TOTAL LEVEL	-	2,288	2,288			10,000		-10,000	
	TOTAL PROGRAM	332,514	343,241	333,689	-9,552		336,054	314,759	-21,295	
09506	TEACHERS RETIREMENT	332,514	343,241	333,689	-9,552		336,054	314,759	-21,295	
	TOTAL PROGRAM	332,514	343,241	333,689	-9,552		336,054	314,759	-21,295	

DEPARTMENT OF ADMINISTRATION

Teachers' Retirement Division

Budget Issues

1) $1,125 in FY84 and FY85 respectively should be added to the LFA budget for per diem for board members to attend board meetings and other related system business.

2) Because of increased actuarial costs and additional legal fees and court costs, $8,335 in FY84 and $6,298 in FY85 needs to be considered in the LFA budget.

3) $3,601 should be considered in FY85 to cover the costs of handbooks of information.

4) $760 in FY84 and FY85 respectively is needed to cover travel to attend retirement seminars.

5) $10,000 in FY85 has been excluded from the LFA budget for the purchase of a word processor.

6) A savings of 3% has been recommended by the Fiscal Analyst in this budget. The total cost based on our executive budget submission would be $6,330 in FY84 and $6,339 in FY85. This translates into less than one-half FTE reduction during each year of the biennium.

$181,830

State of Montana
Office of the Legislative Auditor

Performance Audit

DEPARTMENT OF REVENUE
Liquor Division

This report contains recommendations for changes in the liquor related laws and for improvements in the operations and management of the State's liquor merchandising system, including:

- Clarification of the mission of the liquor merchandising program.
- Deposit of interest on idle cash.
- Reduction of inventory levels.
- Changes to improve the profitability of the liquor merchandising system.
- Enhancement of the liquor merchandising administration.

Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

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