

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
MONTANA STATE
JOINT SUBCOMMITTEE

January 24, 1985

The meeting of the General Government and Highways Subcommittee was called to order by Chairman Quilici on January 24, 1985 at 8:05 a.m. in Room 437 of the State Capitol.

ROLL CALL: All members were present, Representative Connelly was late. Also present were Cliff Roessner from the LFA Office, and Doug Booker and Carolyn Doering from the Governor's Office.

DEPARTMENT OF REVENUE

John LaFaver, Director, went over some information that the committee had asked for the previous day. Exhibit No. 1 is the overtime expended in FY 1984. He also discussed some of the main legal cases the department is currently dealing with.

Legal Division: John LaFaver discussed the budget worksheet found on Exhibit No. 2. Travel was the main budget issue, which he feels is necessary to provide for instate hearings, court appearances and training.

Investigations: There was discussion on the budget worksheet and budget issues found on Exhibit No. 13 (27;A;213). A main budget issue was for equipment, which they are asking for funds to replace vehicles and a word processing machine.

Child Support: Exhibit No. 4 is the budget worksheet for the Child Support. John LaFaver explained the new accounts receivable system they are planning to put up. Jon Meredith then went over the experience in Child Support with the increasing caseload and increase of revenues the bureau has had. Exhibit No. 5 is a brief introduction to child support enforcement. Graphs which compare collections to expenses, Montana cost effectiveness ratio, and Montana general fund cost effectiveness are found on Exhibit No. 6.

There was discussion on the new accounts receivable system. The old Bradford system costed too much in manual entry because the figures were never current. In 1983 the federal government said they were going to a new restructuring situation, and they were going to drop the agencies

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participation in the child support program by X percent. In order to save that money, they kept positions open. Later they found out that wasn't going to happen, and they found themselves with an excess of dollars. At that point, they felt something had to be done with the accounts receivable. The director indicated they could bid on a new system. The new system can give daily, exactly how much anyone owes. (27;A;660)

Exhibit No. 7 explains the budget modification they are asking for. An additional 13 FTE are being requested for enforcement activities needed to meet requirements of the federal legislation.

Chairman Quilici asked that in the event the Federal Government withdraws these funds for the program, will the State General Fund be expected to pick up the whole amount. John LaFaver responded to the question (27;B;273).

Exhibit No. 9 is a budget modification for Investigations, which asks for an additional 2 FTE. Exhibit No. 10 explains the modification.

Medicaid Fraud: Exhibit No. 11 is the budget worksheet for Medicaid Fraud. The budget issues involved contracted services, which asked for funds to hire expert witnesses and do computer matching.

Exhibit No. 12 is the budget worksheet for the entire Legal Division.

Liquor Division: Howard Heffelfinger, Administrator, discussed Exhibit No. 13, which is the Liquor Division budget presentation. He went over all the graphs included in the presentation (28;A;37).

Bruce Simon, Representative of District 91 in Billings, commended Howard and his staff on the job they have done over the past few years. He doesn't think there is going to be an increase in sales, and asked the committee to look at the figures carefully in their deliberations (28;A;127).

EXECUTIVE SESSION

DEPARTMENT OF JUSTICE

Registrar of Motor Vehicles: Senator Gage moved the LFA

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budget for the personal services with 2 percent vacancy savings for both years. The motion was seconded and PASSED unanimously. The motion was carried.

Senator Gage moved the LFA budget except for rent on operating expenses. The rent expenses will come from the Executive budget. The motion was seconded, and PASSED unanimously.

Senator Keating moved the Executive budget for equipment in FY 1986 and FY 1987. The motion was seconded, and PASSED unanimously.

Representative Lory moved approval of the budget modification for the upgrade of the word processing system, \$42,025 in FY 1986 and \$2,914 in FY 1987. The motion was seconded, and PASSED unanimously.

Senator Gage moved that the budget modification for the County Coordinator DO NOT PASS, but that \$1,232 be put back into travel for both years in current level. The motion was seconded, and PASSED unanimously.

Highway Patrol: Exhibits No. 14, 15, and 16 were passed out to the committee. They are budget modification revisions of the original redone for the committee.

Senator Keating moved to reconsider the action on the budget modification for additional Patrol Officers. The motion was seconded, and PASSED unanimously.

Representative Lory moved the modification for additional officers, 7 in FY 1986 and a total of 13 in FY 1987. The motion was seconded, and PASSED unanimously.

Senator Keating moved for reconsideration of the 55 MPH Enforcement Squad budget modification. The motion was seconded, and PASSED unanimously.

Senator Keating moved for approval of the budget modification for the 55 MPH Enforcement Project, subject to 21 percent reduction of the bottom line number. The motion was seconded and PASSED unanimously.

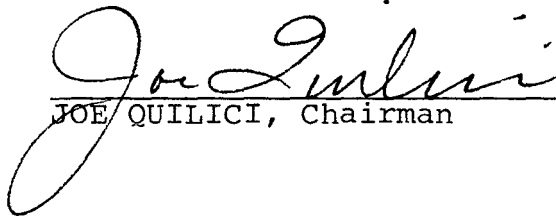
Representative Lory moved the recruit school for the 13 officers. The motion was seconded, and PASSED unanimously.

Senator Keating moved the budget modification for the recruit school for the 55 MPH project. The motion was seconded, and PASSED unanimously.

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Law Enforcement Services: Representative Lory moved the LFA budget plus \$2,700 for FY 1986 and FY 1987 for a summer intern. The motion was seconded, and PASSED unanimously.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 11:15 a.m.


JOE QUILICI, Chairman

DAILY ROLL CALL

General Government and Highways SUB COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date _____

$$\begin{array}{|c|c|c|} \hline 1 & 24 & 85 \\ \hline \end{array}$$
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REVENUE OVERTIME
FISCAL YEAR 1984

OVERTIME EXPENDED	
HOURS	DOLLARS
01 DIRECTOR'S OFFICE	29.5 \$324.24
02 CENTRALIZED SERVICES	325.5 \$3,231.40
03 RESEARCH & INFORMATION	404.3 \$4,004.11
04 LEGAL DIVISION	441.4 \$4,340.03
05 LIQUOR DIVISION	2,840.5 \$33,241.27
06 INCOME TAX DIVISION	476.0 \$4,480.16
07 NATURAL RESOURCES & CORP. TAX	.0 \$.00
08 PROPERTY VALUATION	585.5 \$4,857.51
09 MISCELLANEOUS TAXES	.0 \$.00
10 MOTOR FUEL TAX	194.5 \$1,668.18

TOTAL DEPARTMENT	5,297.2 \$56,146.90

Exhibit # 1
1/24/85

:01/10/85

DEPARTMENT OF REVENUE
BUDGET WORKSHEET

AGENCY :5801 DEPARTMENT OF REVENUE
PROGRAM : 04 LEGAL DIVISION
CONTROL : 41 LEGAL

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	OBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	10.00	10.00	.00	---	10.00	10.00	.00	---
1100	SALARIES	\$274,502	\$271,249 (	\$3,253)	---	\$274,938	\$271,708 (	\$3,230)	---
1200	HOURLY WAGES	\$0	\$0	\$0	---	\$0	\$0	\$0	---
1400	EMPLOYEE BENEFITS	\$42,008	\$41,529 (	\$479)	---	\$42,269	\$41,795 (	\$474)	---
1500	HEALTH INSURANCE	\$12,000	\$12,000	\$0	---	\$12,000	\$12,000	\$0	---
	TOTAL LEVEL	\$328,510	\$324,778 (	\$3,732)	---	\$329,207	\$325,503 (	\$3,704)	---
2000	INFLATION	\$1,317	\$1,248 (	\$69)	---	\$1,737	\$2,547	\$810	---
2100	CONTRACTED SERVICES	\$1,465	\$1,487	\$22	---	\$1,465	\$1,487	\$22	---
2200	SUPPLIES & MATERIALS	\$7,168	\$6,825 (	\$343)	---	\$7,168	\$6,825 (	\$343)	---
2300	COMMUNICATIONS	\$6,009	\$6,009	\$0	---	\$6,009	\$6,009	\$0	---
2400	TRAVEL	\$3,206	\$1,220 (	\$1,986)	---	\$3,206	\$1,220 (	\$1,986)	---
2500	RENT	\$7,577	\$7,179 (	\$398)	---	\$7,623	\$7,179 (	\$444)	---
2600	UTILITIES	\$0	\$0	\$0	---	\$0	\$0	\$0	---
2700	REPAIR & MAINTENANCE	\$1,464	\$1,465	\$1	---	\$1,464	\$1,465	\$1	---
2800	OTHER EXPENSES	\$2,900	\$2,904	\$4	---	\$2,900	\$2,904	\$4	---
	TOTAL LEVEL	\$31,106	\$28,337 (	\$2,769)	---	\$31,572	\$29,636 (	\$1,936)	---
3100	EQUIPMENT	\$415	\$524	\$109	---	\$0	\$0	\$0	---
	TOTAL LEVEL	\$415	\$524	\$109	---	\$0	\$0	\$0	---
	TOTAL PROGRAM	\$360,031	\$353,639 (	\$6,392)	---	\$360,779	\$355,139 (	\$5,640)	---
01100	GENERAL FUND	\$252,055	\$247,547 (	\$4,508)	---	\$252,593	\$248,597 (	\$3,996)	---
03000	FEDERAL FUNDS	\$46,789	\$45,973 (	\$816)	---	\$46,880	\$46,191 (	\$689)	---
06000	LIQUOR FUNDS	\$61,187	\$60,119 (	\$1,068)	---	\$61,306	\$60,351 (	\$955)	---
	TOTAL PROGRAM	\$360,031	\$353,639 (	\$6,392)	---	\$360,779	\$355,139 (	\$5,640)	---

BUDGET ISSUE
TRAVEL

NECESSARY TO PROVIDE FOR INSTANT HEARINGS, COURT APPEARANCES AND TRAINING.
OUT OF STATE TRAVEL FOR THIS BUREAU HAS BEEN VIRTUALLY ELIMINATED ALTHOUGH
IT IS SOMETIMES REQUIRED.

Exhibit #2
1/24/85

DATE :01/10/85

DEPARTMENT OF REVENUE
BUDGET WORKSHEETAGENCY :5801 DEPARTMENT OF REVENUE
PROGRAM : 04 LEGAL DIVISION
CONTROL : 42 INVESTIGATIONS

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	OBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	13.50	13.50	.00		13.50	13.50	.00	
1100	SALARIES	\$272,687	\$271,688 (	\$999)		\$272,769	\$271,743 (	\$1,026)	
1200	HOURLY WAGES	\$0	\$0	\$0		\$0	\$0	\$0	
1400	EMPLOYEE BENEFITS	\$41,906	\$41,934	\$28		\$42,064	\$42,088	\$24	
1500	HEALTH INSURANCE	\$16,200	\$16,200	\$0		\$16,200	\$16,200	\$0	
	TOTAL LEVEL	\$330,793	\$329,822 (	\$971)		\$331,033	\$330,031 (	\$1,002)	
2000	INFLATION	\$4,173	\$3,715 (	\$458)		\$5,671	\$6,762	\$1,091	
2100	CONTRACTED SERVICES	\$7,034	\$5,930 (	\$1,104)		\$6,734	\$5,930 (	\$804)	
2200	SUPPLIES & MATERIALS	\$14,668	\$13,672 (	\$996)		\$14,626	\$13,672 (	\$954)	
2300	COMMUNICATIONS	\$21,944	\$22,879	\$935		\$21,944	\$22,879	\$935	
2400	TRAVEL	\$12,838	\$11,743 (	\$1,095)		\$12,838	\$11,743 (	\$1,095)	
2500	RENT	\$11,256	\$10,222 (	\$1,034)		\$11,289	\$10,222 (	\$1,067)	
2600	UTILITIES	\$0	\$0	\$0		\$0	\$0	\$0	
2700	REPAIR & MAINTENANCE	\$5,926	\$5,450 (	\$476)		\$5,326	\$5,450	\$124	
2800	OTHER EXPENSES	\$1,056	\$958 (	\$98)		\$1,056	\$958 (	\$98)	
	TOTAL LEVEL	\$78,895	\$71,539 (	\$7,356)		\$79,484	\$77,616 (	\$1,868)	
3100	EQUIPMENT	\$36,660	\$19,620 (	\$17,040)		\$27,858	\$27,858	\$0	
	TOTAL LEVEL	\$36,660	\$19,620 (	\$17,040)		\$27,858	\$27,858	\$0	
	TOTAL PROGRAM	\$446,348	\$424,011 (	\$22,337)		\$438,375	\$435,505 (	\$2,870)	
01100	GENERAL FUND	\$84,116	\$74,202 (	\$9,914)		\$84,848	\$76,213 (	\$8,635)	
03000	FEDERAL FUNDS	\$84,117	\$74,202 (	\$9,915)		\$84,849	\$76,213 (	\$8,636)	
06000	LIQUOR FUNDS	\$278,115	\$275,607 (	\$2,508)		\$268,678	\$283,079	\$14,401	
	TOTAL PROGRAM	\$446,348	\$424,011 (	\$22,337)		\$438,375	\$435,505 (	\$2,870)	

BUDGET ISSUES

FY 86 FY 87

- 1) CONTRACTED SERVICES \$1,104 \$804 -NECESSARY FOR MAINTAINING WELFARE FRAUD DATA SYSTEM, PAYING PRINTING COSTS AND PERFORMING LAB TESTS ON ALCOHOL
- 2) TRAVEL \$1,095 \$1,095 -TRAVEL IS ESSENTIAL TO PERFORM ALCOHOL CONTROL FUNCTION: WELFARE FRAUD TRAINING IS NOT AVAILABLE IN STATE.
- 3) RENT \$1,034 \$1,034 -SIX REGIONAL OFFICES ON 1 OR 2 YEAR LEASES. WILL HAVE TO BE RENEGOTIATED DURING BIENNium
- 4) REPAIR & MAINTENANCE \$467 \$124 -REPAIRS & MAINTENANCE COSTS FOR FY84 WERE \$8885.46. FOR FIRST 6 MONTHS FY85 THEY ARE \$4160.
- 5) EQUIPMENT \$17,040 \$0 -OLDER VEHICLES AND WORD PROCESSING MACHINE CONSTANTLY NEED REPAIR. MORE COST EFFECTIVE TO REPLACE THEM.
- 6) MODIFICATION - 2 FTE \$59,819 \$48,497 -NECESSARY TO KEEP UP WITH INVESTIGATION WORKLOADS AND PROVIDE CLERICAL STAFF TO AVOID DELAYS IN COMPLETING INVESTIGATIONS; MOSTLY NON GENERAL FUNDS

Exhibit #3
1/24/85

DATE : 01/10/85

DEPARTMENT OF REVENUE
BUDGET WORKSHEETAGENCY : 5801 DEPARTMENT OF REVENUE
PROGRAM : 04 LEGAL DIVISION
CONTROL : 43 CHILD SUPPORT

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	DBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	DBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	41.00	41.00	.00		41.00	41.00	.00	
1100	SALARIES	\$692,396	\$694,167	\$1,771		\$693,699	\$695,525	\$1,826	
1200	HOURLY WAGES	\$0	\$0	\$0		\$0	\$0	\$0	
1400	EMPLOYEE BENEFITS	\$106,136	\$106,137	\$1		\$106,703	\$106,704	\$1	
1500	HEALTH INSURANCE	\$49,200	\$49,200	\$0		\$49,200	\$49,200	\$0	
	TOTAL LEVEL	\$847,732	\$849,504	\$1,772		\$849,602	\$851,429	\$1,827	
2000	INFLATION	\$14,831	\$15,031	\$200		\$18,959	\$24,933	\$5,974	
2100	CONTRACTED SERVICES	\$68,546	\$36,676 (	\$31,870)		\$68,546	\$36,676 (	\$31,870)	
2200	SUPPLIES & MATERIALS	\$39,976	\$31,361 (	\$8,615)		\$39,976	\$31,361 (	\$8,615)	
2300	COMMUNICATIONS	\$58,946	\$61,446	\$2,500		\$58,946	\$61,446	\$2,500	
2400	TRAVEL	\$14,397	\$15,568	\$1,171		\$14,397	\$15,568	\$1,171	
2500	RENT	\$50,388	\$47,934 (	\$2,454)		\$50,467	\$47,934 (	\$2,533)	
2600	UTILITIES	\$0	\$0	\$0		\$0	\$0	\$0	
2700	REPAIR & MAINTENANCE	\$26,017	\$6,021 (	\$19,996)		\$26,017	\$6,021 (	\$19,996)	
2800	OTHER EXPENSES	\$12,022	\$12,863	\$841		\$12,022	\$12,863	\$841	
	TOTAL LEVEL	\$285,123	\$226,900 (	\$58,223)		\$289,330	\$236,802 (	\$52,528)	
3100	EQUIPMENT	\$27,431	\$25,560 (	\$1,871)		\$1,939	\$0 (	\$1,939)	
	TOTAL LEVEL	\$27,431	\$25,560 (	\$1,871)		\$1,939	\$0 (	\$1,939)	
	TOTAL PROGRAM	\$1,160,286	\$1,101,904 (	\$58,322)		\$1,140,871	\$1,088,231 (	\$52,640)	
01100	GENERAL FUND	\$348,086	\$348,481	\$395		\$342,261	\$326,469 (	\$15,792)	
03000	FEDERAL FUNDS	\$812,200	\$753,483 (	\$58,717)		\$798,610	\$761,762 (	\$36,848)	
	TOTAL PROGRAM	\$1,160,286	\$1,101,904 (	\$58,322)		\$1,140,871	\$1,088,231 (	\$52,640)	

BUDGET ISSUES

	FY 86	FY 87	
1) CONTRACTED SERVICES	\$31,870	\$31,870	- ONGOING COST OF NEW DATA PROCESSING SYSTEM WILL BE \$34,600 PER YEAR BEGINNING FY86
2) SUPPLIES & MATERIAL	\$8,615	\$8,615	- REPRESENTS COSTS ON GROWING MATCHING AND OFFSET PROGRAMS. FY85 COSTS WILL BE \$30,000
3) REPAIRS & MAINTENANCE	\$19,996	\$19,996	- MAINTENANCE CONTRACTS FOR FY85 ARE \$9,113. TWO TELEPHONE SYSTEMS AND COMPUTER SYSTEM WILL NOT BE COVERED BY MAINTENANCE CONTRACTS
4) EQUIPMENT	\$1,871	\$1,939	- PROGRAM OFFICE EQUIPMENT TO STORE EVER INCREASING CASELOAD AND REPLACE 9 YEAR OLD EQUIPMENT
5) GENERAL FUND	\$17,891	\$0	- DBPP FIGURES DO NOT PROVIDE FOR 100% GENERAL FUND TO PURCHASE VEHICLES LFA DOES
6) MODIFICATION - 13 FTE	\$326,033	\$288,475	- ENFORCEMENT ACTIVITIES NEEDED TO MEET REQUIREMENT OF FEDERAL LEGISLATION; 70% NON GENERAL FUND.

Exhibit # 4
1/24/85

A BRIEF INTRODUCTION TO CHILD SUPPORT ENFORCEMENT

The Child Support Enforcement Program was established in response to the changes taking place in the AFDC program. AFDC was established in the 1930's to provide for children who did not have the benefit of support from both parents. Assistance is available to families in which a responsible parent is dead, absent, disabled, or in some cases, unemployed.

When the AFDC program was first established, death of the father was the major basis for eligibility. Currently, over 80 percent of the families receiving AFDC are eligible because a parent is absent from the home, while over 30 percent of the children are being born of unmarried parents.

Federal law requires that each state establish a child support enforcement program. The responsible state government unit is commonly referred to as the IV-D agency. Each program receives 70 percent of its funding from the federal government. The state IV-D agency is responsible for locating absent parents, establishing paternity, establishing child support obligations, and collecting and monitoring child support payments.

The Montana IV-D and enforcement agency is called the Child Support Enforcement Program. Located within the Legal and Enforcement Division of the Department of Revenue, the Child Support Enforcement Program collects support on welfare and non-welfare cases in Montana, and throughout the United States.

THE PROBLEM OF CHILD SUPPORT

Each year over one million American marriages end in divorce, disrupting the lives of more than three million men, women and children. More than 40 percent of American marriages contracted in the 1980's are expected to end in divorce, and by the 1990's only 56 percent of the children in the United States will spend their entire childhood with both natural parents.

No fault divorce laws have shifted the focus of the legal process from moral questions of fault and responsibility to economic issues of ability to pay and financial need. Today fewer husbands and wives fight about who-did-what-to-whom; they are more likely to argue about the value of marital property, her earning capacity and his ability to pay.

When child support is not paid and a family falls below the poverty levels, taxpayers become responsible for child support. Without child support, the poverty level for mother only families rises from 12 percent to 18 percent. We believe that parents should pay for the support of their children to the extent possible.

In most divorce cases both spouses are represented by legal counsel. Unfortunately the children are almost never represented. Yet in most all cases, the children equally with the parents, suffer both economically and financially.

The Child Support Enforcement Amendments of 1984 which were passed by Congress in the fall are directed toward insuring that all parents with an obligation to support live up to that obligation. The Act provides the enforcement tools necessary to make the payment of child support an automatic function.

Since 1980, the Montana program has made great gains in its effort to collect child support. The following table illustrates the progress made, how that progress relates to the national average, and how such progress translates into a financial return for the State of Montana.

FIVE YEAR CHILD SUPPORT ANALYSIS

	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984
<u>COLLECTIONS</u>					
Total Distributions	1,500,037	1,579,820	1,652,965	2,351,067	2,973,795
Non-AFDC	685,118	658,744	524,102	615,516	697,581
AFDC to Recipient				7,513	5,367
AFDC Net Retained	814,919	921,076	1,128,863	1,728,038	2,270,849
Federal Share	516,075	592,069	735,072	1,129,085	1,467,259
State Share	223,205	255,956	306,208	465,276	623,480
County Share	75,639	73,051	87,583	133,677	180,110

EXPENSES

Total Program Costs	1,037,550	1,150,059	1,067,986	1,152,138	1,326,284
Federal Share	778,162	862,544	800,990	817,811	928,400
State Share	220,599	240,102	229,159	291,434	358,896
County Share	38,789	47,413	37,837	42,893	38,988

Montana Cost Effective Ratio

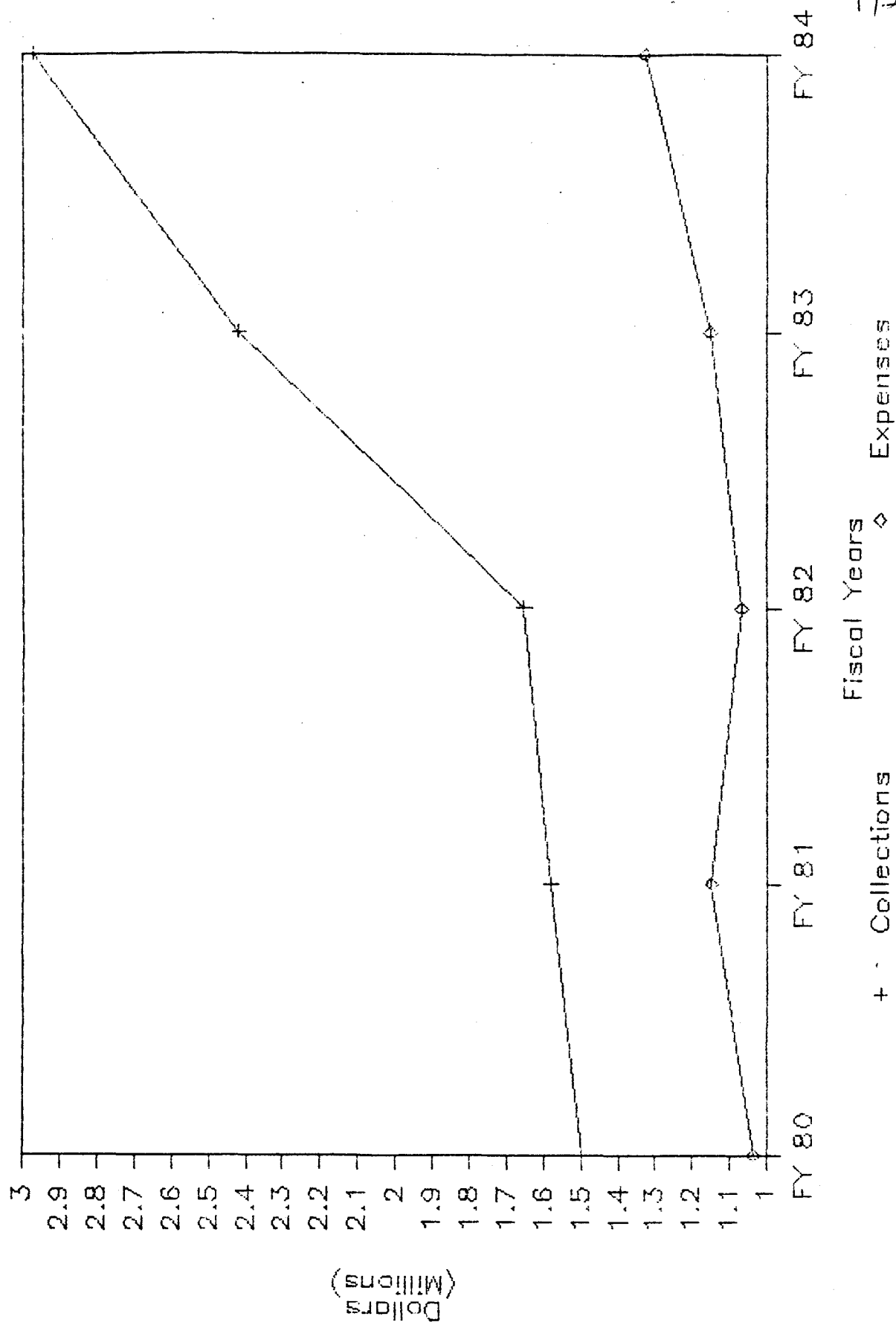
State Level	1.01	1.07	1.34	1.60	1.74
County Level	1.95	1.54	2.32	3.12	4.62
Incentives to Montana Paid from Federal Share	13,627	113,908	142,526	229,680	251,357
Cost Effective Ratio for General Fund	1.07	1.54	1.96	2.38	2.44

Beginning October 1, 1985 the incentive payment rate will change from 12% on AFDC collections only to a maximum of 10% on both AFDC and Non-AFDC.

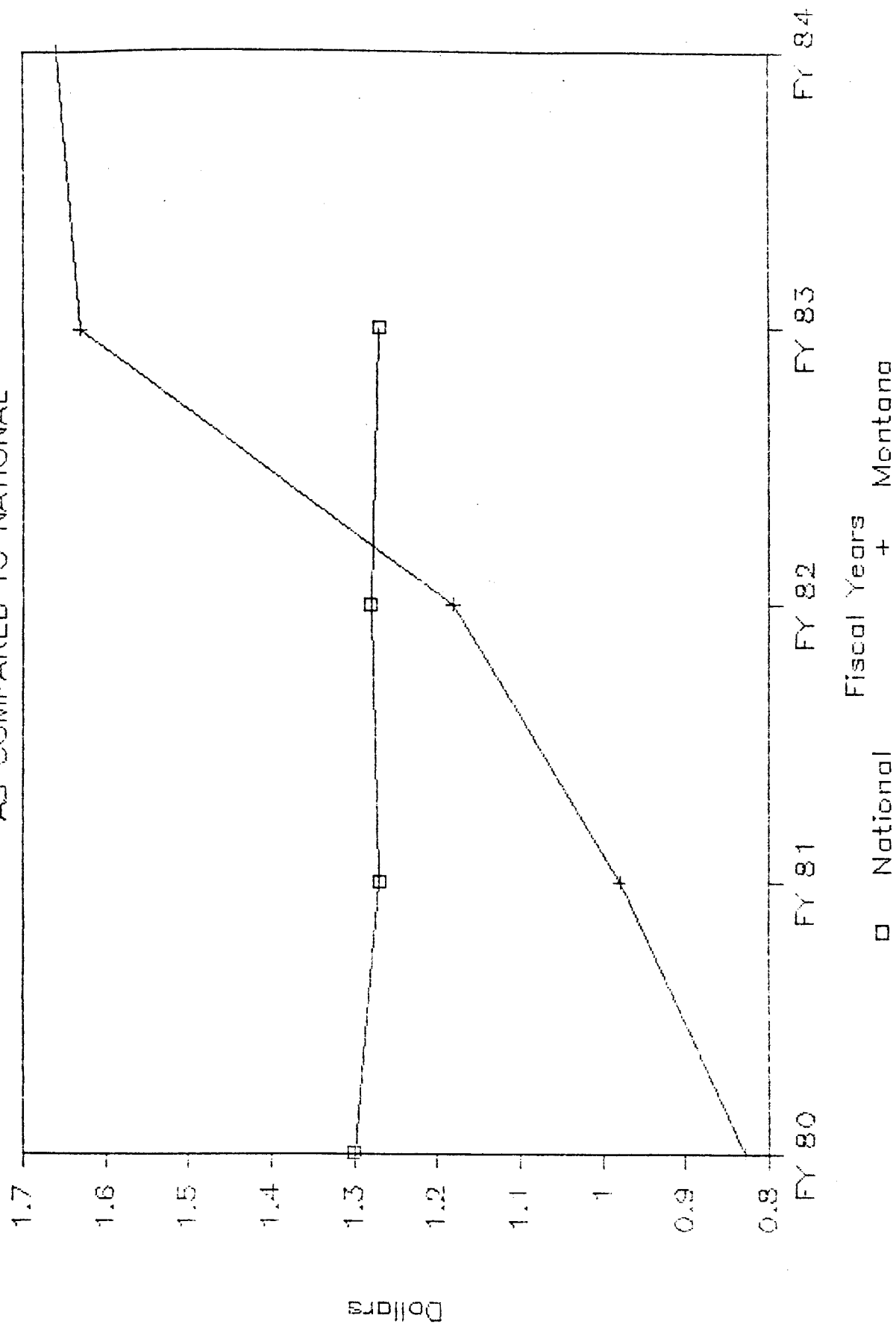
For further information: Contact Bill Harrington or Dennis Shober, Child Support Enforcement Program, P. O. Box 5955, Helena, MT 59604. Phone (406) 444-4614.

COLLECTIONS TO EXPENSES

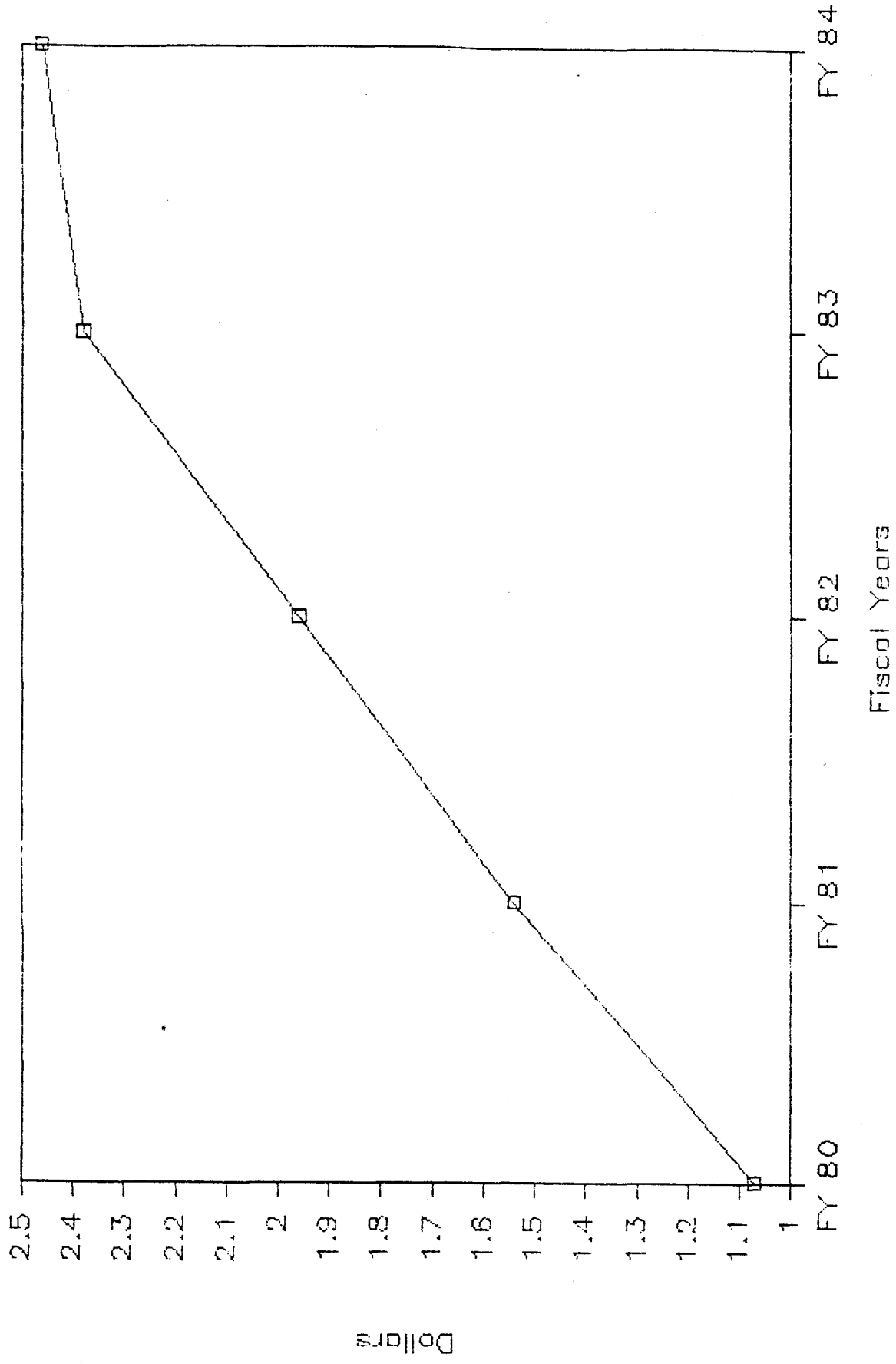
Exhibit No. 6
1/24/85



MT COST EFFECTIVENESS RATIO AS COMPARED TO NATIONAL



MT GENERAL FUND COST EFFECTIVENESS



Child Support Enforcement 86-87 Modification

1. In August 1984, HB 4325 or the "Child Support Enforcement Amendments of 1984" was passed by Congress. The bill:
 - a) mandates program activity in child and spousal support areas regardless of public assistance receipt
 - b) pushes the responsibility for interstate enforcement on to the Child Support Enforcement Program (CSEP)
 - c) requires the use of several new and hopefully more cost effective tools:
 - (1) mandatory wage assignments for in- and out-of-state obligors
 - (2) state tax offsets for in- and out-of-state applicants
 - (3) federal tax offsets for all applicants who have a Montana order or where the custodial parent is receiving assistance in Montana
 - (4) expedited process to establish support orders for in- and out-of-state orders.
2. These requirements will result in a substantial caseload increase for the Montana CSEP. Estimates are based on current caseload figures, apparent increased use of a more effective and efficient collection system and experiences of other states. Three specific areas will require increased staffing and a fourth will require additional funding only:
 - a) the NAFDC caseload will increase by 200% due to mandatory publicity programs and the use of federal tax offset for all families receiving IVD assistance

- b) the support payments unit will be required to handle some 83,000 payments per year as compared to 29,000 currently
- c) a new interstate unit will be required to provide out-of-state wage assignment, state tax offset, federal tax offset, expedited support order establishment and more rapid hearing procedure services
- d) expedited process and more effective enforcement tools mean greater use of the administrative process. Additional contracted hearings officer expense will therefore be incurred.

3. For your further information, a line itemed budget breakdown is attached.

SUPPLEMENTAL BUDGET FY 86, 87
CHILD SUPPORT ENFORCEMENT PROGRAM
To Comply with
FEDERAL "CHILD SUPPORT ENFORCEMENT AMENDMENTS 1984"

		<u>FY 86</u>	<u>FY 87</u>
1000	PERSONNEL SERVICES		
1100	Salaries		
1101	Regular (13 FTEs)	\$181,252.00	\$181,252.00
1100	Total	<u>\$181,152.00</u>	<u>\$181,152.00</u>
1400	Employee Benefits		
1401	FICA @ .067	12,143.88	12,143.88
1402	Retirement @ .064170	11,630.94	11,630.94
1403	Insurance @ 100 x 1 yr x 13 FTEs	15,600.00	15,600.00
1404	Workers Comp. @ .008	1,450.02	1,450.02
1410	State Unemployment Tax @ .005	906.26	906.26
1400	Employee Benefits Total	41,731.10	41,731.10
1000	Personal Services Total	<u>\$222,983.10</u>	<u>\$222,983.10</u>
2000	OPERATING EXPENSES		
2100	Contracted Services		
2102	Consulting & Professional Services	25,000.00	25,000.00
2110	Printing	2,000.00	2,000.00
2135	Education & Training	1,500.00	1,500.00
2100	Contracted Services Total	28,500.00	28,500.00
2200	Supplies and Materials		
2225	Books & Reference Materials	300.00	300.00
2236	Office Supplies/Central Stores	2,000.00	2,000.00
2241	Office Supplies/Non-state Proc.	400.00	400.00
2200	Supplies & Materials Total	2,700.00	2,700.00
2300	Communications		
2301	Local Service & Equipment	6,530.23	6,530.23
2302	Long Distance Service	2,000.00	2,000.00
2304	Postage & Mailing	4,000.00	4,000.00
2309	Advertising	2,500.00	2,500.00
2314	Telephone STS Usage	7,663.00	7,663.00
2316	Telephone One-time Charges	500.00	500.00
2300	Communications Total	23,193.23	23,193.23
2400	Travel		
2407	In-state Meals	250.00	250.00
2408	In-state Lodging	250.00	250.00
2400	Travel Total	500.00	500.00

2500	Rent		
2527	D/A Buildings	7,521.32	7,521.32
2500	Rent Total	7,521.32	7,521.32
2700	Repair & Maintenance		
2704	Office Equipment	500.00	500.00
2750	Maintenance Contracts	1,278.00	1,278.00
2700	Repair & Maintenance Total	1,778.00	1,778.00
2800	Other Expenses		
2809	Registration Fees for Training Contract	1,300.00	1,300.00
2800	Other Expenses Total	1,300.00	1,300.00
2000	Operating Expenses Total	<u>\$65,462.54</u>	<u>\$65,462.00</u>
3000	EQUIPMENT		
3112	Office Equipment	37,558.00	-0-
3000	Equipment Total	<u>37,558.00</u>	<u>-0-</u>
	TOTAL	<u>\$326,033.00</u>	<u>\$288,475.00</u>
	General Fund	97,809.90	86,542.50

* Estimates are made with FY 1984 figures and do not account for inflation.

MODIFICATION COST EFFECTIVENESS STUDY

A. Introduction

The Child Support Enforcement Amendments of 1984 provide sweeping changes to the Child Support Enforcement Program. Paramount among these changes is the federal mandate requiring states to advertise services not only to AFDC-associated families but to all families needing assistance in securing support obligation payments from the absent parent. This requirement will have a profound impact on case load and the support staff needed to implement the program under the expanded coverage. Program administrators estimate that 13 additional FTE will be needed to meet the increased case load. This results in increased administrative costs of \$326,033 in fiscal 1986 and \$288,475 in fiscal 1987. Of these amounts \$97,809 in fiscal 1986 and \$86,543 in fiscal 1987 of state general fund is required to meet the federal matching rate.

The following analysis explores the benefits that arise as a consequence of implementing the program and whether these benefits result in a favorable benefit/cost ratio. Benefits are expected to arise in two areas: in AFDC/Medicaid avoidance, and in increased incentive payments.

B. Benefits from AFDC/Medicaid Savings

The analysis of savings that arise from AFDC avoidance is based on figures provided by the Legal and Enforcement Division. It is estimated that the division will mail 137 applications for non-AFDC (NAFDC), IV-D services after advertising is fully effective. Of these, 68 per month, or roughly 50%, will be returned and become cases. This results in 816 new cases per year.

According to the U.S. Census survey, in 1978 38% of women without child support received public assistance,¹ compared to only 13% of the women who had some child support income.¹ Given these figures, in the absence of any child support 38% (310) of the cases would be receiving public assistance, whereas only 13% (106) of the cases would be receiving public assistance if child support was secured in all cases. This results in 204 cases not going on AFDC rolls that otherwise would in the absence of child support. The estimated savings that arise from this are as follows:

- AFDC -	
Number of Cases:	204
Annual Ave. AFDC Payment: ² (305.97 x 12)	\$ 3,671.64
Total Annual Saving:	<u>\$749,014.56</u>
General Fund Savings (approx. 30%):	<u>\$224,704.37</u>

¹"The Economic Consequences of Divorce: Child Support and the Feminization of Poverty", NOW Legal Defense and Education Fund, 1982, pg. 9.
²Statistical Report, State Fiscal Year 1984, Montana Department of Social and Rehabilitation Services, pg. 4.

- MEDICAID -

Number of Cases:	204
Annual Ave. AFDC-Associated Medicaid Payment: ³ (250.72x12)	\$ 3,008.64
Total Annual Savings:	<u>\$613,762.56</u>

General Fund Savings (approx. 34%):	<u>\$208,679.27</u>
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C. Benefits from Increased Incentive Payments

The proposed rules for implementing the Child Support Enforcement Amendments of 1984 provide for incentive payments to the states. In previous years these incentives applied to amounts collected on behalf of AFDC families only. The new rules would provide for incentives based on amounts collected on behalf of non-AFDC families as well.

Under the old rules child support was used to reimburse government for AFDC payments. States were allowed a 12 percent incentive payment. That is, the federal share of the reimbursement was reduced by 12 percent of the total collection with the incentive payment deposited in the state general fund account. Under the new rules states will be allowed a minimum incentive payment of 6 percent of total AFDC plus non-AFDC, collections. The following calculations show the increase to the general fund that would have occurred under the new rules given the projected increase in case load and assuming the average collection for the additional NAFDC cases equal to the average collection for the actual cases in federal fiscal year 1984. (Under these rules the state is allowed an incentive payment equal to the larger of 80 percent of the payment under the old rules or the payment under the new rules.)

Old Rules:

Total AFDC Collections (FFY1984):	\$2,319,922
x 12 percent	278,391
x 80 percent = Total Incentive Payment	<u>\$ 222,713</u>

New Rules:

Total AFDC Collections:	\$2,319,922
Total NAFDC Collections:	602,829
Additional NAFDC Collections -	
816 cases x \$145.00 x 12 mo.	<u>1,419,840</u>
Total Collections	\$4,342,591
	x .06
Minimum Incentive Payment	260,555
Incentive Payment Under Old Rules	<u>222,713</u>
Increase To General Fund	<u>\$ 37,842</u>

³ Ibid, pg. 12.

As the above analysis indicates the incentive payment calculated above under the new rules represents a minimum incentive payment. The actual payment may be much larger than that indicated for several reasons. First, the percentage applied to total collections is allowed to increase to a maximum of 10 percent as the ratio of total collections to total administrative costs grows. Second, the portion of the incentive payment paid to a state for a fiscal year in recognition of its non-AFDC collections is limited to the percentage of the portion of the incentive payment paid for that fiscal year in recognition of its AFDC collections. In fiscal years 1986 and 1987 that percentage is 100 percent but grows to 105 percent in FFY1988; 110 percent in FFY1989; and 115 percent in fiscal years 1990 and beyond. Third, in instances of interstate collections both the responding state and the receiving state will receive credit for collections made in interstate cases. Before, only the responding state received the incentive payment.

D. Benefit/Cost Ratio

The above analysis indicates the potential for increased benefits arising from activities mandated by the Child Support Enforcement Amendments of 1984. The annual general fund savings are estimated to be:

AFDC Avoidance	\$224,704
Medicaid Avoidance	208,679
Increased Incentive Payments	<u>37,842</u>
Total Benefits	<u>\$471,225</u>

Given that the increased general fund share of the total additional administrative costs are \$97,809 in fiscal 1986, these benefits provide a benefit/cost ratio of approximately 4.8.

DATE :01/10/85

DEPARTMENT OF REVENUE
BUDGET WORKSHEET

AGENCY :5801 DEPARTMENT OF REVENUE

PROGRAM : 04 LEGAL DIVISION

CONTROL :BUDGET MODIFICATION FOR 13.0 FTE REQUIRED BY FEDERAL LEGISLATION

BUDGET MODIFICATION

AE/OE	DESCRIPTION	OBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	OBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	13.00				13.00			
1100	SALARIES	\$181,252.00				\$181,252.00			
1200	HOURLY WAGES	.00				.00			
1400	EMPLOYEE BENEFITS	26,131.00				26,131.00			
1500	HEALTH INSURANCE	15,600.00				15,600.00			
1600	VACANCY SAVINGS	.00				.00			
	TOTAL LEVEL	\$222,983.00				\$222,983.00			
2000	INFLATION	\$0.00				\$0.00			
2100	CONTRACTED SERVICES	28,500.00				28,500.00			
2200	SUPPLIES & MATERIALS	2,700.00				2,700.00			
2300	COMMUNICATIONS	23,193.00				23,193.00			
2400	TRAVEL	500.00				500.00			
2500	RENT	7,521.00				7,521.00			
2600	UTILITIES	.00				.00			
2700	REPAIR & MAINTENANCE	1,778.00				1,778.00			
2800	OTHER EXPENSES	1,300.00				1,300.00			
	TOTAL LEVEL	\$65,492.00				\$65,492.00			
3100	EQUIPMENT	\$37,558.00				\$0.00			
	TOTAL LEVEL	\$103,050.00				\$65,492.00			
	TOTAL PROGRAM	\$326,033.00				\$288,475.00			
01100	GENERAL FUND	\$97,810.00				\$86,543.00			
03000	FEDERAL FUNDS	228,223.00				201,932.00			
	TOTAL PROGRAM	\$326,033.00				\$288,475.00			

Exhibit #8
1/24/85

DATE :01/10/85

DEPARTMENT OF REVENUE
BUDGET WORKSHEETAGENCY :5801 DEPARTMENT OF REVENUE
PROGRAM : 04 LEGAL DIVISION
CONTROL :00421 FOR 2 ADDITIONAL FTE

BUDGET MODIFICATION

AE/OE	DESCRIPTION	DBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	DBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	2.00				2.00			
1100	SALARIES	\$31,222.00				\$31,222.00			
1200	HOURLY WAGES	.00				.00			
1400	EMPLOYEE BENEFITS	4,555.00				4,571.00			
1500	HEALTH INSURANCE	2,400.00				2,400.00			
1600	VACANCY SAVINGS	(1,527.00)				(1,528.00)			
	TOTAL LEVEL	\$36,650.00				\$36,665.00			
2000	INFLATION	\$685.00				\$903.00			
2100	CONTRACTED SERVICES	502.00				502.00			
2200	SUPPLIES & MATERIALS	1,825.00				1,825.00			
2300	COMMUNICATIONS	3,826.00				3,540.00			
2400	TRAVEL	1,757.00				1,757.00			
2500	RENT	1,500.00				1,500.00			
2600	UTILITIES	.00				.00			
2700	REPAIR & MAINTENANCE	1,705.00				1,805.00			
2800	OTHER EXPENSES	.00				.00			
	TOTAL LEVEL	\$11,800.00				\$11,832.00			
3100	EQUIPMENT	\$11,369.00				\$.			
	TOTAL LEVEL	\$23,169.00				\$11,832.00			
	TOTAL PROGRAM	\$59,819.00				\$48,497.00			
01100	GENERAL FUND	\$6,510.00				\$5,175.00			
03000	FEDERAL FUNDS	6,510.00				5,175.00			
06000	LIQUOR FUNDS	46,799.00				38,147.00			
	TOTAL PROGRAM	\$59,819.00				\$48,497.00			

Exhibit #9
1/24/85

Investigations Program 86-87 Modifications

1. Additional field investigative staff member

This request is based on the program's burgeoning workload. The rapidly growing workload is partially demonstrated by the number of welfare fraud case referrals; 410 new cases were received in FY84 compared to 258 in FY83 or approximately a 70% increase. This referral rate increase is projected to continue due to more extensive use of computer matching in public assistance cases. License investigation requests have increased from 540 in 1977 to 710 in FY 1984. This is approximately a 31% increase. However, manpower levels have decreased during the same time period from 7 FTE in 1977 to 6 FTE in 1984. It should also be noted that there were 9 full time liquor inspectors in 1973. Application requests now generally involve business entities such as corporations or partnerships which require more complex investigations. These workload increases combined with a higher demand for more complex liquor related investigations (including felony sale without a license and extended electronic surveillance cases relating to alleged department employee theft) illustrate the program's critical manpower shortage.

The new position would be located in Miles City. The program has a history of maintaining an office in southeastern Montana; however several years ago this position was lost through reorganization. Our Glasgow investigator currently services this area. In FY 1984 the investigator traveled in excess of 19,000 miles or approximately 345 hours to provide needed services. Approximately \$3,600 in salary was expended during the travel; however the total cost to the state would have to include productive investigative time lost, welfare

fraud restitutions lost, gas and vehicle maintenance and additional per diem costs for a total of \$12,584. The placement of a position in Miles City would reduce by at least half the travel required by both the Glasgow and Billings offices.

	Annual Cost Estimates		Funding: Liquor Revolving	
	<u>FY 86</u>	<u>FY 87</u>	<u>FY 86</u>	<u>FY 87</u>
Personnel Services	\$23,133	\$23,143	\$42,265	\$31,480
Operating Expenses	8,182	8,337		
Equipment	10,950	-0-		
	<u>\$42,265</u>	<u>\$31,480</u>		

2. Clerical support staff for Investigations Program

The addition of one clerical FTE to the Investigations Program is essential if the program is to maintain the current level of services. There are presently only two such positions to support a professional staff of 11. The increase in recipient welfare fraud and liquor licensing investigations comes at a time of increasing demand for investigative services in other criminal aspects of liquor control and welfare fraud. These more complex investigations require detailed transcription of surveillance information and extensive report typing. In addition the department is under a statutory 30-day limitation for completion of alcohol beverage license investigations. We are currently exceeding this limit in some cases. Increasing demands will result in an inability to complete license application processing within the statutory time limit.

The need for additional clerical help is further demonstrated by the 325 hours of overtime worked by clerical staff in

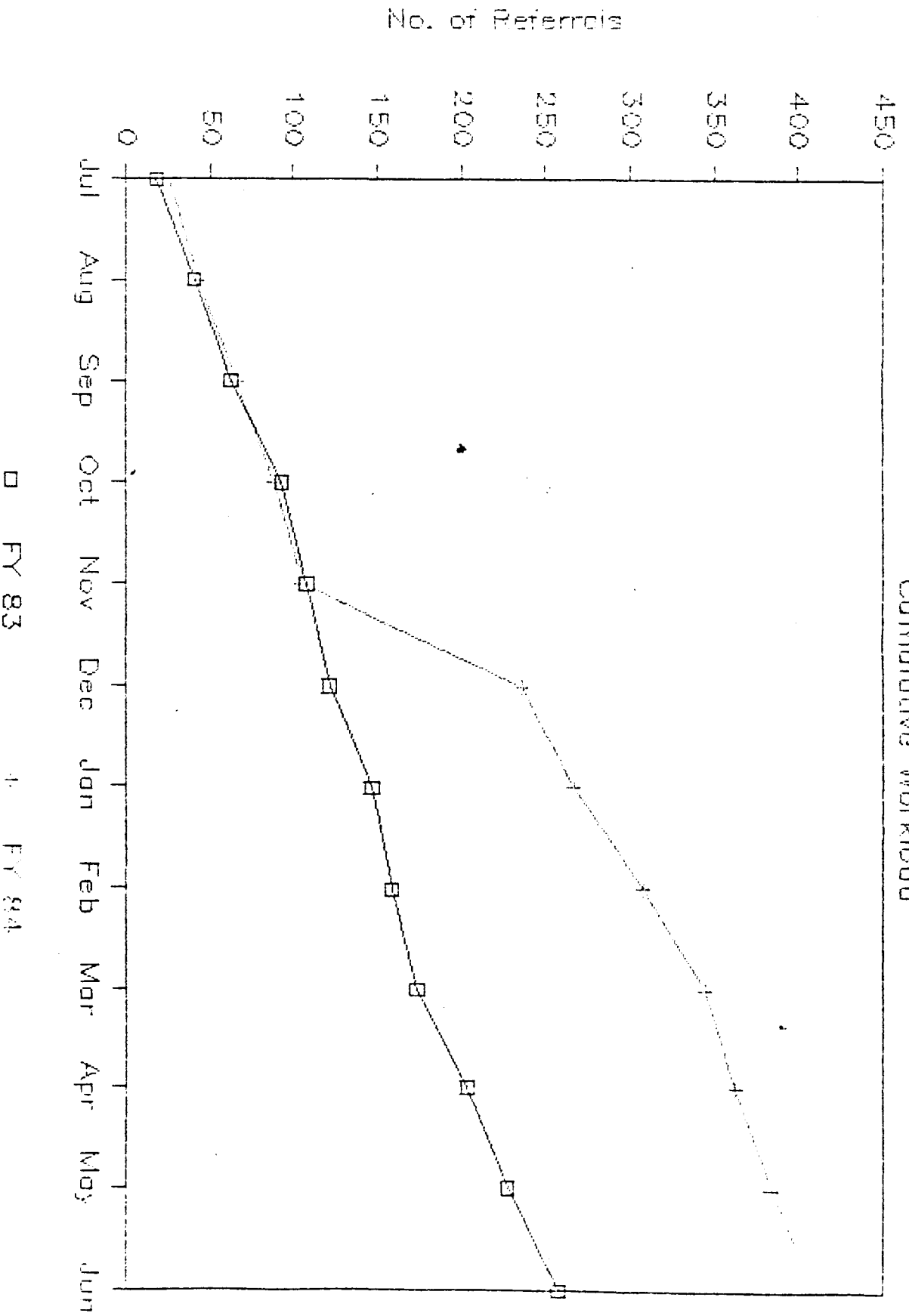
FY84, the lack of backup staff to keep work flowing in the case of vacations or sick leave, and the use of three part-time individuals to maintain the current level of services. Since the new position would be utilized in both the liquor and welfare fraud areas, the cost would be shared by both programs, thus reducing the amount of state funds needed.

Cost of adding one Grade 7 clerical staff member to the present Helena support staff.

	<u>Annual Cost Estimates</u>		<u>Annual Cost Estimates</u>	
	<u>FY 86</u>	<u>FY 87</u>	<u>FY 86</u>	<u>FY 87</u>
Personnel Services	\$15,136	\$15,143	Liquor Revolving	
Operating Expenses	5,454	5,557	\$13,020.00	\$10,350.00
Equipment	5,450	-0-	General Fund	
	<u>\$26,040</u>	<u>\$20,700</u>	\$ 6,510.00	\$ 5,175.00
			Federal Fund	
			\$6,510.00	\$ 5,175.00
			Totals	
			\$26,040.00	\$20,700.00

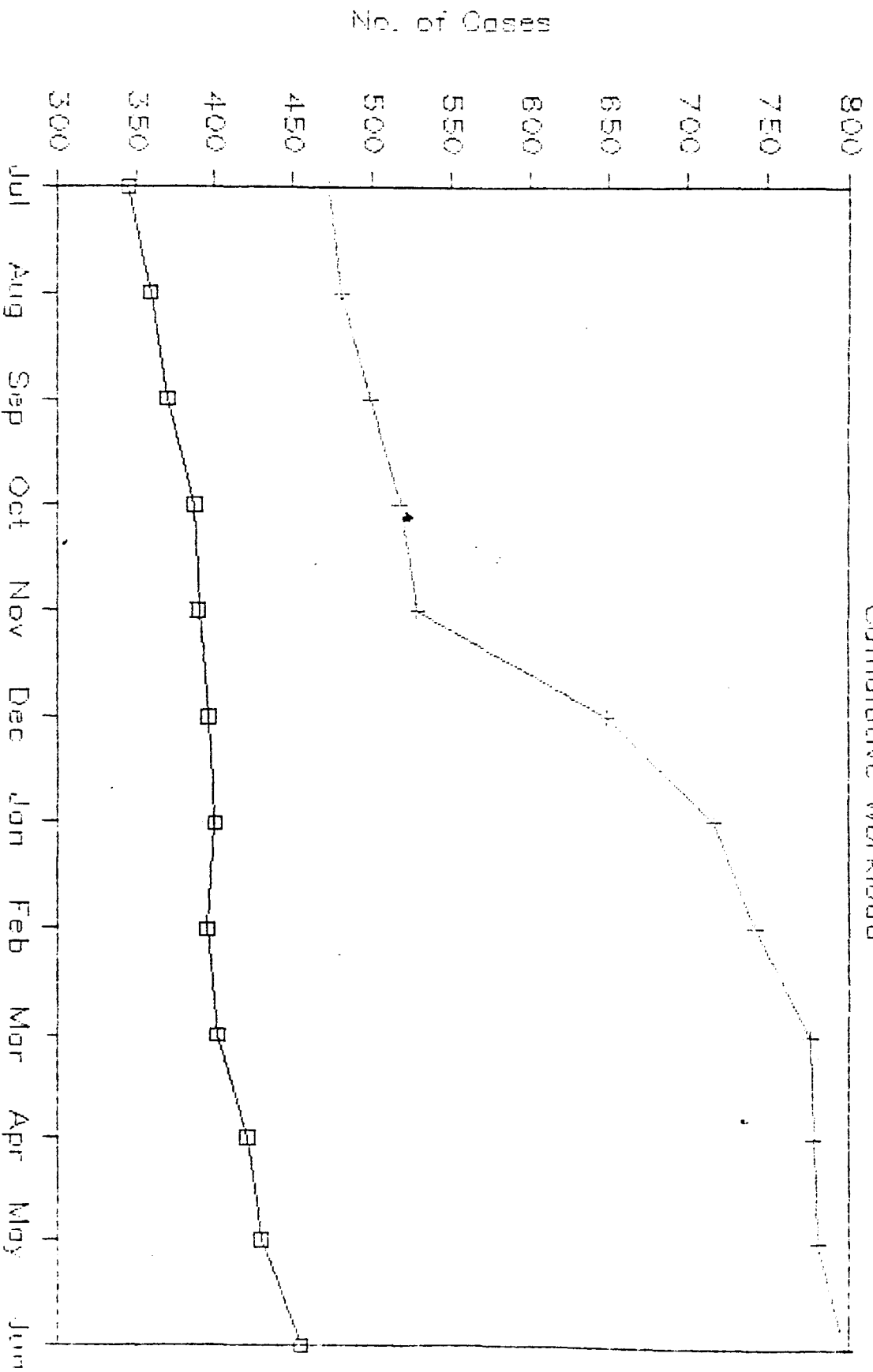
Welfare Fraud Referrals

Cumulative Workload



Total Welfare Fraud Cases

Cumulative Workload

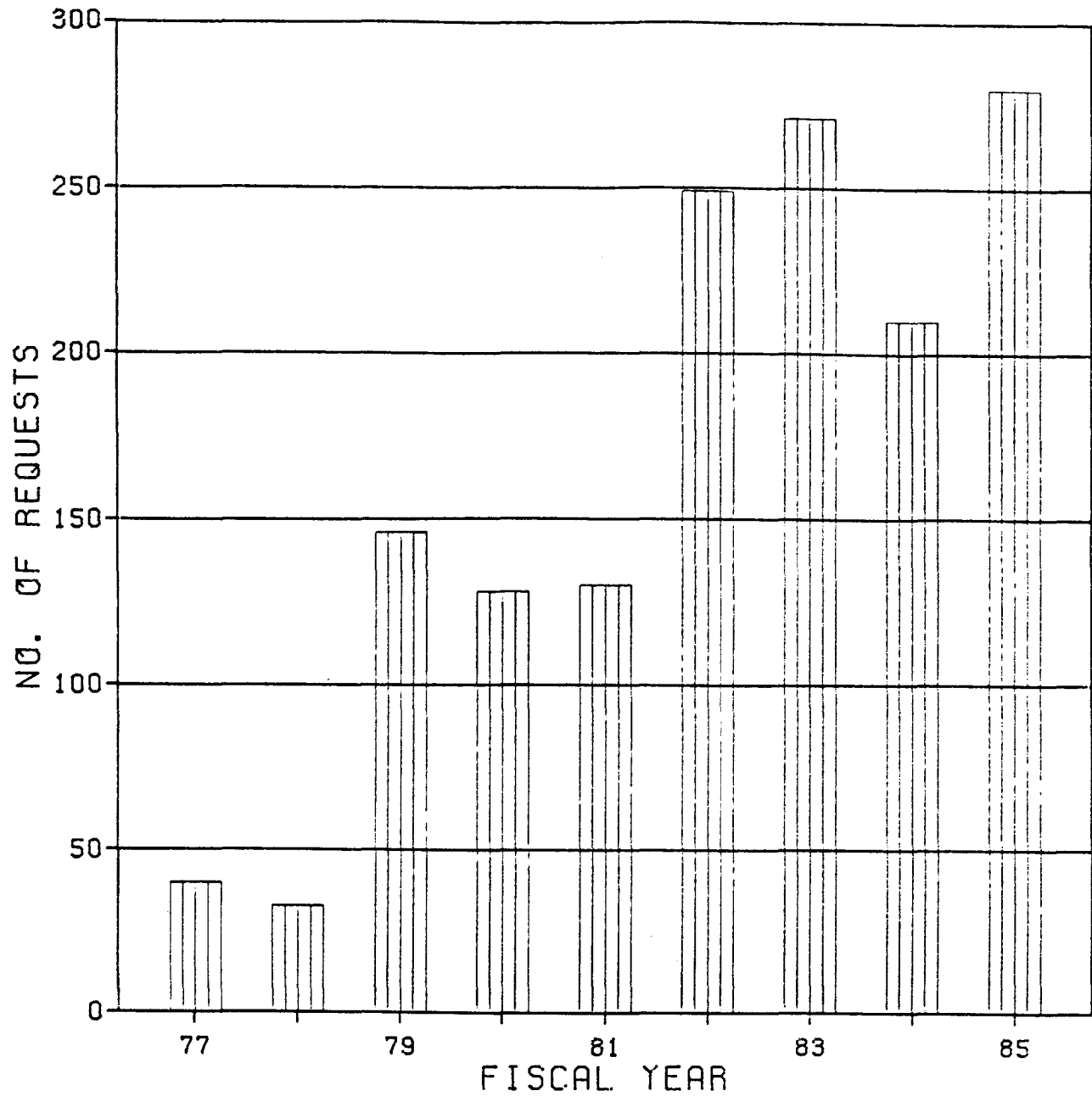


□ FY 83

+ FY 84

LIQUOR LICENSE INVESTIGATION REQUESTS

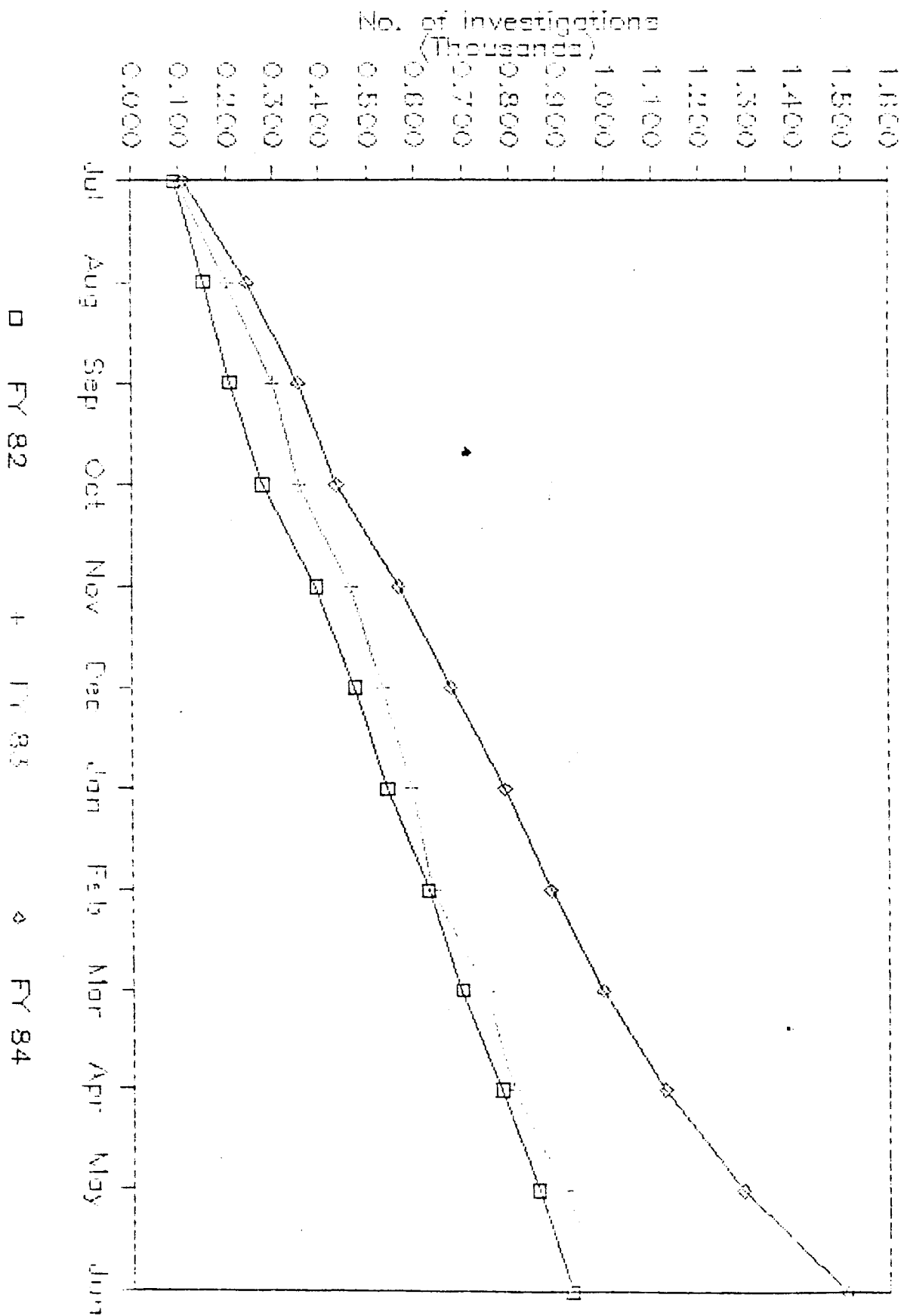
FTE LEVEL - 1973-9, 1977-7, 1984-6



BASE. 0=500

Liquor License Investigations

Cumulative Workload



DATE : 01/10/85

DEPARTMENT OF REVENUE
BUDGET WORKSHEETAGENCY : 5801 DEPARTMENT OF REVENUE
PROGRAM : 04 LEGAL DIVISION
CONTROL : 44 MEDICAID FRAUD

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	OBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	4.00	4.00	.00		4.00	4.00	.00	
1100	SALARIES	\$86,952.00	\$87,011.00	\$59.00		\$86,950.00	\$87,009.00	\$59.00	
1200	HOURLY WAGES	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	
1400	EMPLOYEE BENEFITS	\$13,326.00	\$13,330.00	\$4.00		\$13,371.00	\$13,375.00	\$4.00	
1500	HEALTH INSURANCE	\$4,800.00	\$4,800.00	\$0.00		\$4,800.00	\$4,800.00	\$0.00	
	TOTAL LEVEL	\$105,078.00	\$105,141.00	\$63.00		\$105,121.00	\$105,184.00	\$63.00	
2000	INFLATION	\$1,313.00	\$1,653.00	\$340.00		\$1,490.00	\$2,972.00	\$1,482.00	
2100	CONTRACTED SERVICES	\$13,693.00	\$9,707.00	(\$3,986.00)		\$13,693.00	\$9,707.00	(\$3,986.00)	
2200	SUPPLIES & MATERIALS	\$4,533.00	\$3,948.00	(\$585.00)		\$4,533.00	\$3,948.00	(\$585.00)	
2300	COMMUNICATIONS	\$2,510.00	\$2,508.00	(\$2.00)		\$2,510.00	\$2,508.00	(\$2.00)	
2400	TRAVEL	\$9,385.00	\$6,302.00	(\$3,083.00)		\$9,385.00	\$6,302.00	(\$3,083.00)	
2500	RENT	\$4,231.00	\$3,964.00	(\$267.00)		\$4,260.00	\$3,964.00	(\$296.00)	
2600	UTILITIES	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	
2700	REPAIR & MAINTENANCE	\$2,404.00	\$2,874.00	\$470.00		\$2,404.00	\$2,550.00	\$146.00	
2800	OTHER EXPENSES	\$1,108.00	\$1,110.00	\$2.00		\$1,108.00	\$1,110.00	\$2.00	
	TOTAL LEVEL	\$39,177.00	\$32,066.00	(\$7,111.00)		\$39,383.00	\$33,061.00	(\$6,322.00)	
3100	EQUIPMENT	\$1,500.00	\$1,500.00	\$0.00		\$0.00	\$10,000.00	\$10,000.00	
	TOTAL LEVEL	\$1,500.00	\$1,500.00	\$0.00		\$0.00	\$10,000.00	\$10,000.00	
	TOTAL PROGRAM	\$145,755.00	\$138,707.00	(\$7,048.00)		\$144,504.00	\$148,245.00	\$3,741.00	
01100	GENERAL FUND	\$36,439.00	\$34,677.00	(\$1,762.00)		\$36,126.00	\$37,067.00	\$941.00	
03000	FEDERAL FUNDS	\$109,316.00	\$104,030.00	(\$5,286.00)		\$108,378.00	\$111,183.00	\$2,805.00	
	TOTAL PROGRAM	\$145,755.00	\$138,707.00	(\$7,048.00)		\$144,504.00	\$148,250.00	\$3,746.00	

BUDGET ISSUES:

1) CONTRACTED SERVICES MONEY MUST BE AVAILABLE FOR HIRING EXPERT WITNESSES AND COMPUTER MATCHING
 2) TRAVEL INVESTIGATIONS DONE STATE WIDE; MUST GO TO LOCATIONS. TRAINING
 NOT AVAILABLE IN MONTANA.

Exhibit # 11
1/24/85

DATE : 01/10/85

DEPARTMENT OF REVENUE
BUDGET WORKSHEET

AGENCY : 5801 DEPARTMENT OF REVENUE
PROGRAM : 04 LEGAL DIVISION
CONTROL :

CURRENT LEVEL SERVICES ONLY

AE/OE	DESCRIPTION	OBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	OBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	68.50	68.50	.00		68.50	68.50	.00	
1100	SALARIES	\$1,326,537.00	\$1,324,115.00	(\$2,422.00)		\$1,328,356.00	\$1,325,985.00	(\$2,371.00)	
1200	HOURLY WAGES	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	
1400	EMPLOYEE BENEFITS	\$203,376.00	\$202,930.00	(\$446.00)		\$204,407.00	\$203,962.00	(\$445.00)	
1500	HEALTH INSURANCE	\$82,200.00	\$82,200.00	\$0.00		\$82,200.00	\$82,200.00	\$0.00	
TOTAL LEVEL		\$1,612,113.00	\$1,609,245.00	(\$2,868.00)		\$1,614,963.00	\$1,612,147.00	(\$2,816.00)	
2000	INFLATION	\$21,634.00	\$21,647.00	\$13.00		\$27,857.00	\$27,214.00	(\$643.00)	
2100	CONTRACTED SERVICES	\$90,738.00	\$53,800.00	(\$36,938.00)		\$90,438.00	\$53,800.00	(\$36,638.00)	
2200	SUPPLIES & MATERIALS	\$66,345.00	\$55,806.00	(\$10,539.00)		\$66,303.00	\$55,806.00	(\$10,497.00)	
2300	COMMUNICATIONS	\$89,409.00	\$92,842.00	\$3,433.00		\$89,409.00	\$92,842.00	\$3,433.00	
2400	TRAVEL	\$39,826.00	\$34,833.00	(\$4,993.00)		\$39,826.00	\$34,833.00	(\$4,993.00)	
2500	RENT	\$73,452.00	\$69,299.00	(\$4,153.00)		\$73,452.00	\$69,299.00	(\$4,153.00)	
2600	UTILITIES	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	
2700	REPAIR & MAINTENANCE	\$35,811.00	\$15,810.00	(\$20,001.00)		\$35,211.00	\$15,486.00	(\$19,725.00)	
2800	OTHER EXPENSES	\$17,086.00	\$17,835.00	\$749.00		\$17,086.00	\$17,835.00	\$749.00	
TOTAL LEVEL		\$434,301.00	\$361,872.00	(\$72,429.00)		\$439,789.00	\$377,115.00	(\$62,674.00)	
3100	EQUIPMENT	\$66,006.00	\$47,204.00	(\$18,802.00)		\$29,797.00	\$37,858.00	\$8,061.00	
TOTAL LEVEL		\$66,006.00	\$47,204.00	(\$18,802.00)		\$29,797.00	\$37,858.00	\$8,061.00	
TOTAL PROGRAM		\$2,112,420.00	\$2,018,321.00	(\$94,099.00)		\$2,084,529.00	\$2,027,120.00	(\$57,409.00)	
01100	GENERAL FUND	\$720,696.00	\$704,907.00	(\$15,789.00)		\$715,828.00	\$688,346.00	(\$27,482.00)	
03000	FEDERAL FUNDS	\$1,052,422.00	\$977,688.00	(\$74,734.00)		\$1,038,717.00	\$995,349.00	(\$43,368.00)	
06000	LIQUOR FUNDS	\$339,302.00	\$335,726.00	(\$3,576.00)		\$329,984.00	\$343,430.00	\$13,446.00	
TOTAL PROGRAM		\$2,112,420.00	\$2,018,321.00	(\$94,099.00)		\$2,084,529.00	\$2,027,120.00	(\$57,409.00)	

BUDGET ISSUE - FUNDING

	FY 86	FY 87
01100 GEN FUNDS	32.5%	32.3%
03000 FED FUNDS	51.6%	52.1%
06000 LIQ FUNDS	15.9%	15.7%

FUNDING MUST BE PROVIDED IN THE APPROXIMATE % TO INSURE CORRECT ALLOCATIONS
FOR FEDERAL MATCHING IN THE THREE FEDERAL PROGRAMS

Exhibit # 12
1/24/85

Exhibit #13
1/24/85

LIQUOR DIVISION BUDGET PRESENTATION

TO APPROPRIATIONS SUBCOMMITTEE

January 24, 1985

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.

For the 1985 biennium, the appropriations language specified that the Division attempt to return thirteen percent of net sales as profit to the general fund, and that operational expenses be limited to fifteen percent of net sales. Net liquor sales were defined as gross sales less discounts and taxes. Operational expenses, for purposes of the appropriations language, were defined as excluding product cost, freight and allocable expenses to other Divisions and the Licensing Bureau.

As stated in a letter from Chairman Quilici to Director Ellen Feaver dated April 8, 1983, both profit amount and expense limitation were to be understood as "objectives to be sought rather than legal mandates."

In the case of the expense limitation for Fiscal Year 1984, the Division was well within the stated objective. With the exclusions permitted by the appropriations bill, operational expenses of \$6,004,065 amounted to 14.3 percent of net sales of \$41,844,509; significantly under the authorized maximum of 15 percent. With regard to profit, the Division's net profit of \$5,408,943 in Fiscal Year 1984 amounted to 12.93 percent of net sales of \$41,844,509. Thus, the Division was .07 percent or \$30,843 short of the profit objective of 13 percent.

The primary reason for the slight profit shortfall was declining sales. It should be noted that the Division had requested a lower net profit objective and higher expense limitation last session. However, in deciding upon the current objectives Chairman Quilici indicated that the subcommittee had relied upon recommendations of the Legislative Fiscal Analyst in concluding that "the economy should improve during the biennium and that the Division's sales should revive accordingly."

For reasons entirely unrelated to the economy, sales of beverage alcohol, particularly distilled spirits, have declined and continue to do so. Such reductions have been consistent with national trends. Calendar year 1983 saw the fifth consecutive year of declining adult per capita liquor consumption nationally, representing a 12.5 percent reduction from the peak year of 1974. In 1983, Americans consumed 1.5 percent less distilled spirits than in 1982, and in 1982 consumption fell 2.7 percent from 1981. Exhibit A indicates overall sales declines for Montana over the past three fiscal years. As indicated by the Exhibit, from Fiscal Year 1982 to Fiscal Year 1984 overall sales fell by 3.9 percent. For the first half of the current fiscal year, gross dollar sales are down by 8.6 percent. Thus, even though Montana's declines have been less than those nationwide, the state appears to be catching up rapidly with the national average. Such reductions are generally attributed to changing social mores which are increasingly bringing about more moderation in consumption of beverage alcohol. There is no evidence to suggest that such mores, and

consequent sales and consumption declines, are apt to be changing in the foreseeable future.

However, in spite of lower sales the Division succeeded in improving its financial condition from the prior year by reducing costs and generally enhancing efficiencies as indicated in the attached exhibits. Exhibit B indicates operational expense decreases during Fiscal Year 1984. In part, such reductions permitted the net profit increase demonstrated in Exhibit C which occurred in spite of declining sales. Exhibit D displays the inventory reductions undertaken by the Division over the past three fiscal years. Such reductions have yielded an additional \$3,605,376 to the general fund over the period in question. Exhibit E demonstrates the Division's efforts over the past seven fiscal years to convert small, marginally profitable stores to agency status. The latter are more profitable to the Division, and still permit rural Montanans to have the convenience of state outlets. Exhibits F and G contain pie-graphs indicating breakdown of expenses and gross sales dollar disbursement, respectively. Exhibit H demonstrates historical sales, expense, and tax trends over the past fourteen years.

As indicated by information contained in the exhibits, the Liquor Division has used the flexibility and discretion afforded by open-ended funding to improve its operations in spite of otherwise difficult market conditions. For that reason, the Division again requests such a budget for the 1986-87 biennium. The condition sought for such

funding is a 15 percent limitation upon operational expenses, using the same criteria as was imposed for the current biennium. Although declining sales will continue to adversely impact operations, and would otherwise have necessitated a request to increase the limit, a federal excise tax increase will take effect on October 1, 1985 which will result in raising sales receipts by approximately eight percent. This, in turn, will compensate for lower sales and should permit the Division to remain under the 15 percent expense ceiling.

Given an expense limit, and the Legislature's continued monitoring of Division operations, a profit requirement becomes superfluous. With a continuing, concerted effort to keep expenses as low as possible, the highest attainable profit will naturally follow. The only other factor influencing profit will be sales. With numerous influences presently affecting beverage alcohol sales, it is difficult to project future sales with accuracy. Therefore the Division requests that its performance under open-ended funding be judged according to an expense limitation without a stated profit requirement.

EXHIBIT A

SALES DECREASES

FY 1982-84

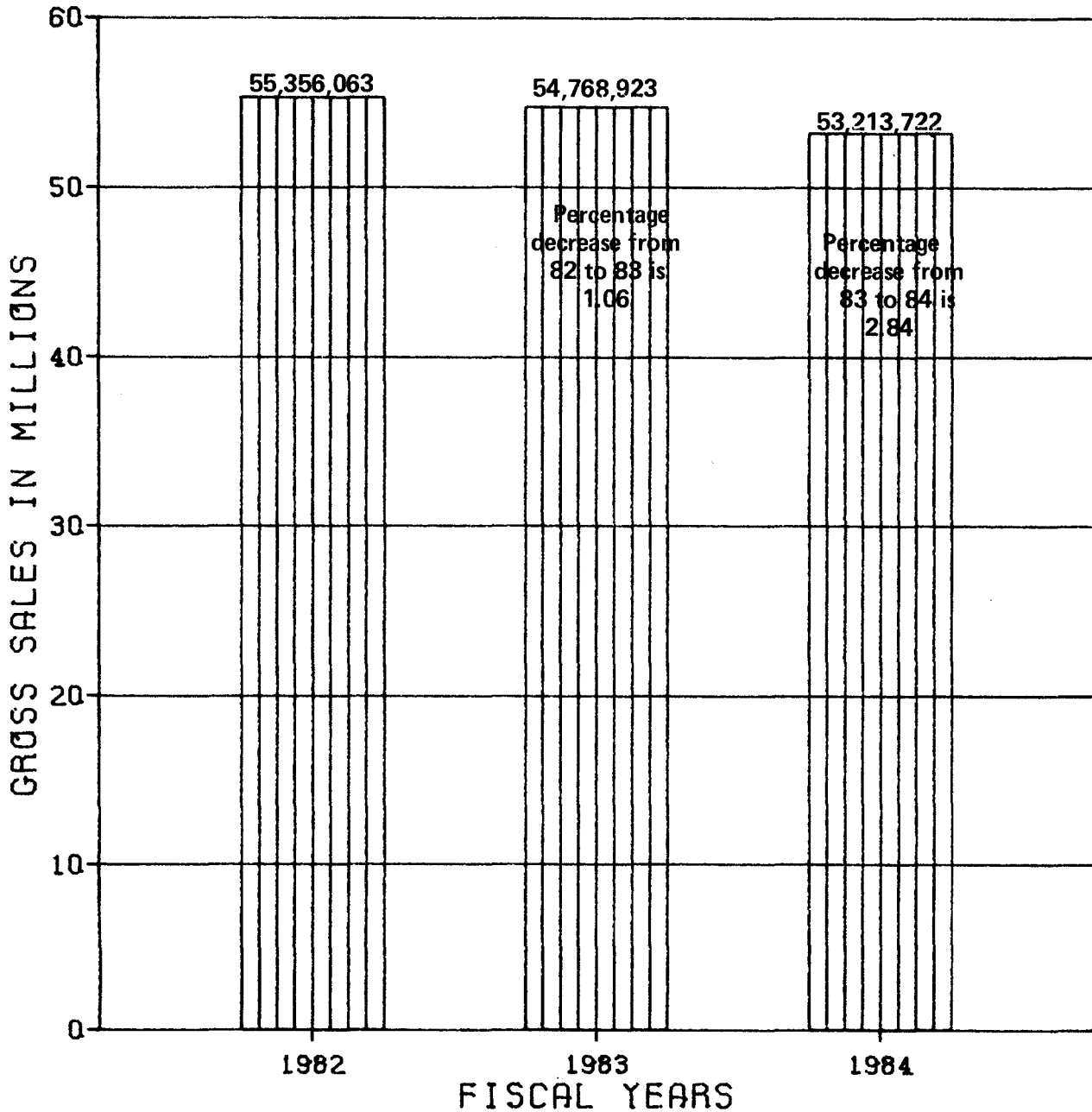


EXHIBIT B

OPERATIONAL EXPENSE DECREASE

FY 1983-84

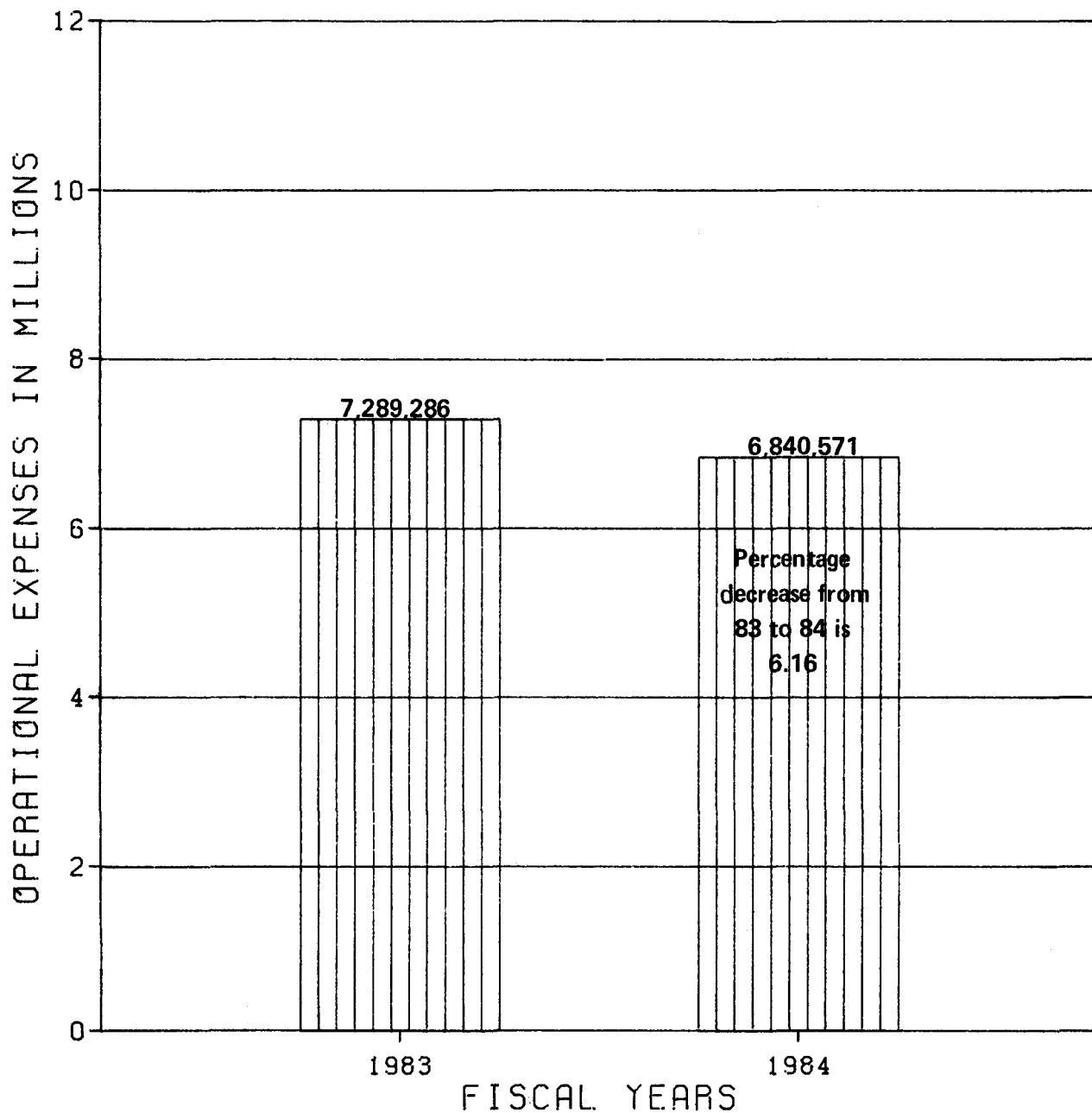


EXHIBIT C

NET PROFIT INCREASE

FY 1983-84

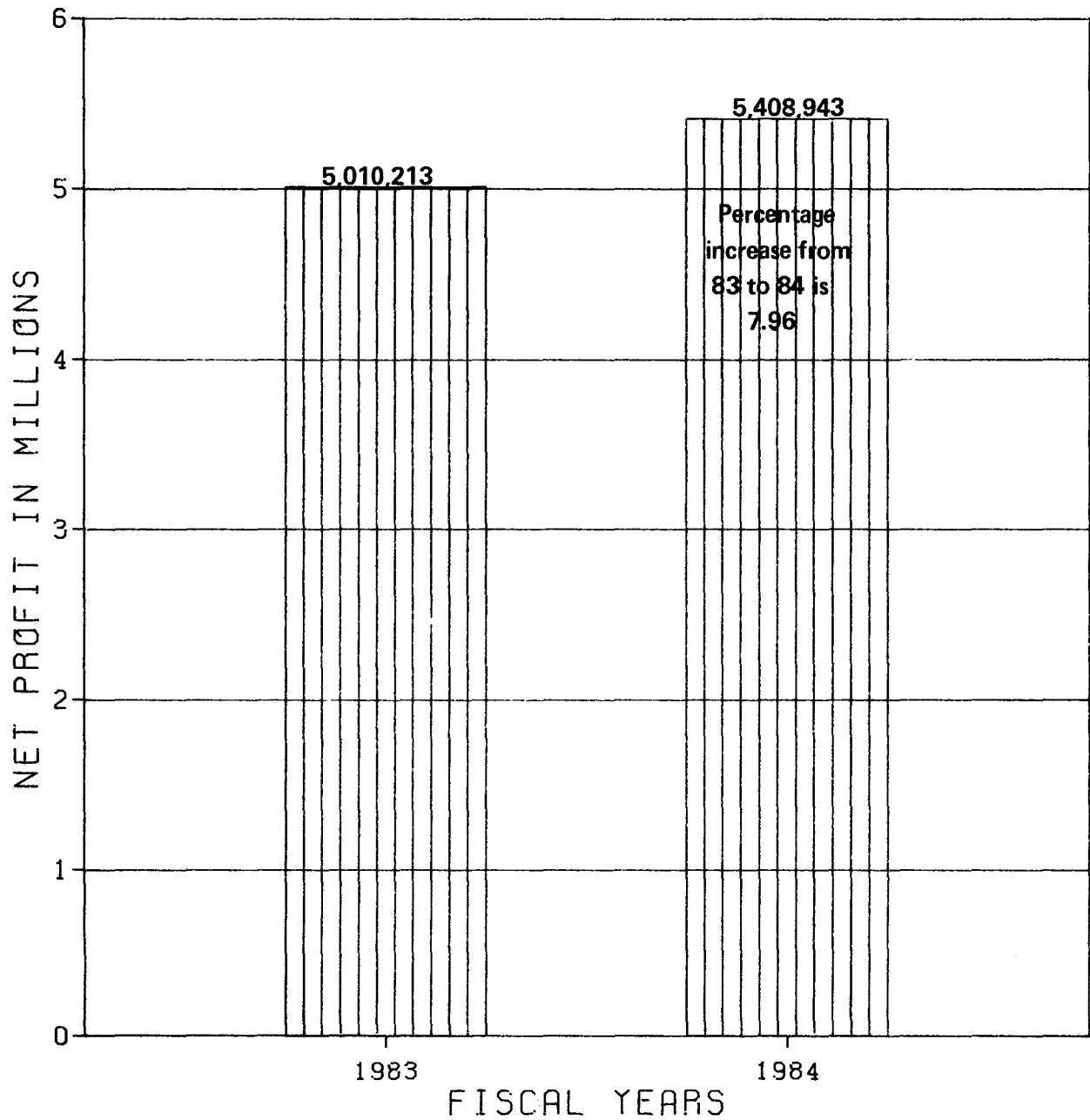


EXHIBIT D

INVENTORY REDUCTIONS

FY 1982-84

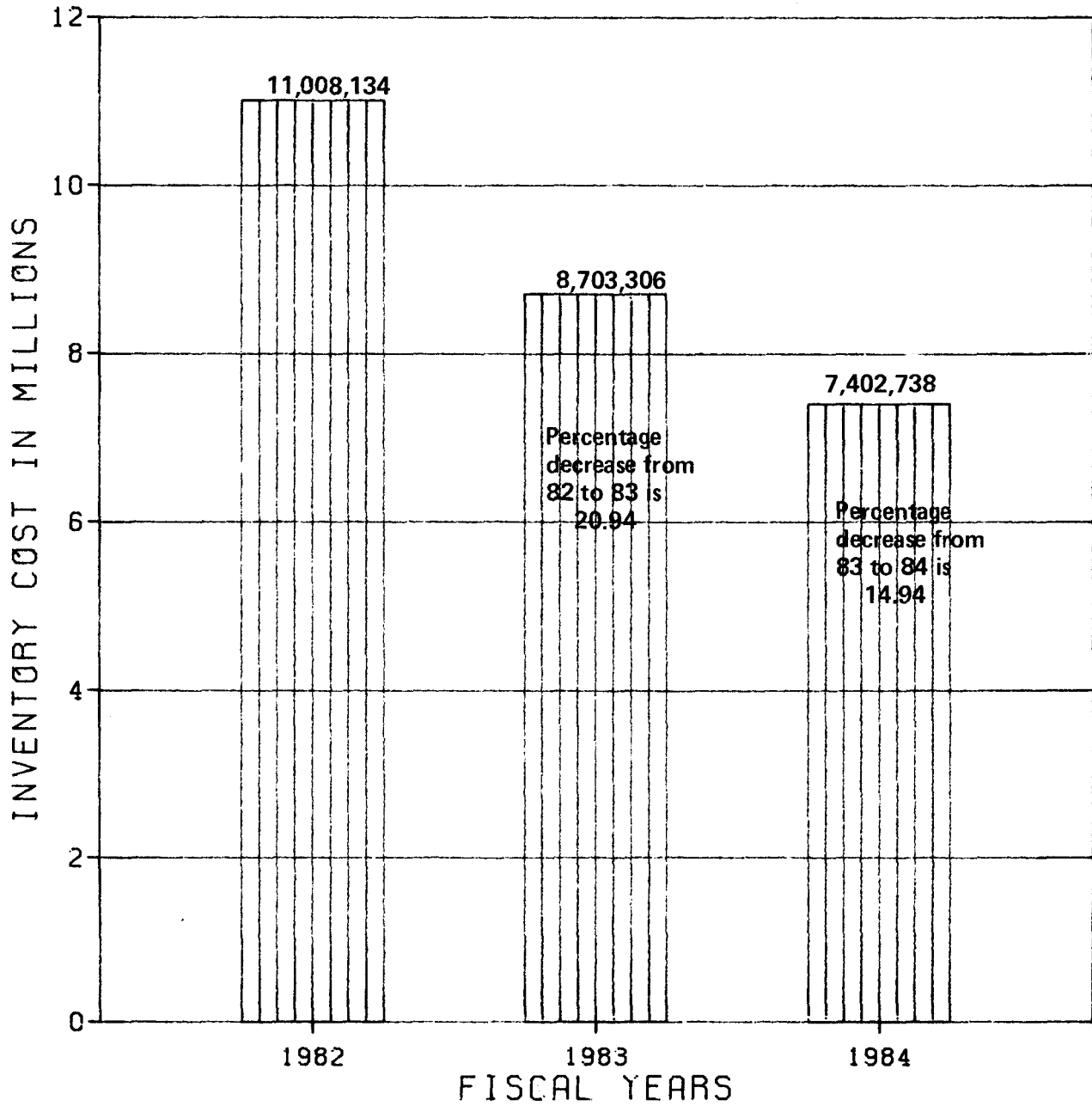
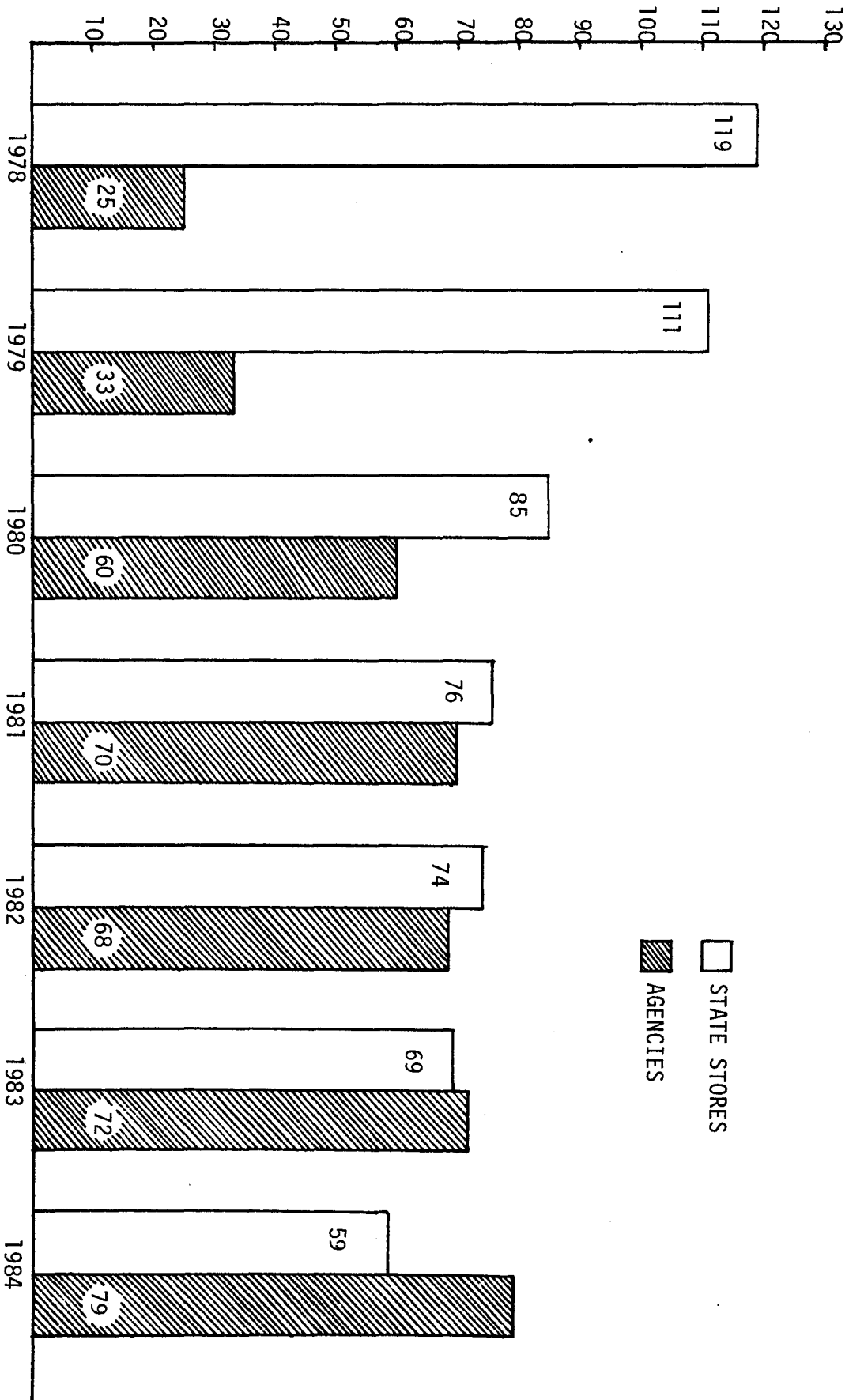


EXHIBIT E
NUMBER OF LIQUOR OUTLETS

COMPARISON: TOTAL NUMBER OF STATE LIQUOR STORES AND AGENCIES

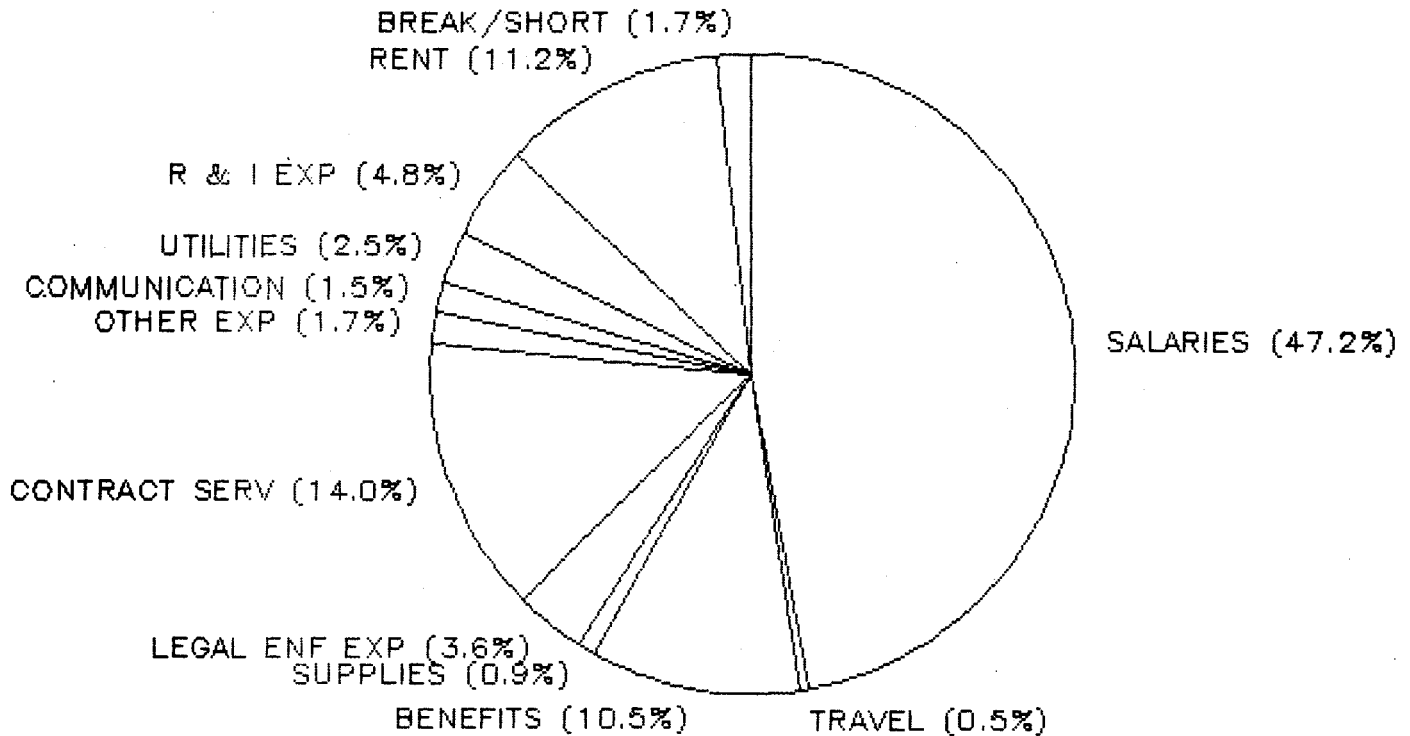


FISCAL YEARS
1978 - 1984

EXHIBIT F

STATEMENT OF EXPENSES

FOR FISCAL YEAR 1984



SALARIES	\$3,169,895
BENEFITS	706,174
SUPPLIES	58,985
LEGAL ENFORCEMENT EXP.	241,418
CONTRACTED SERVICES	938,370
TRAVEL	30,827
RENT	755,926
COMMUNICATIONS	97,960
BREAKAGE/SHORTAGE/ BAD CHECKS	114,964
UTILITIES	170,624
RESEARCH AND INFORMATION EXP.	324,155
OTHER EXPENSES	231,273

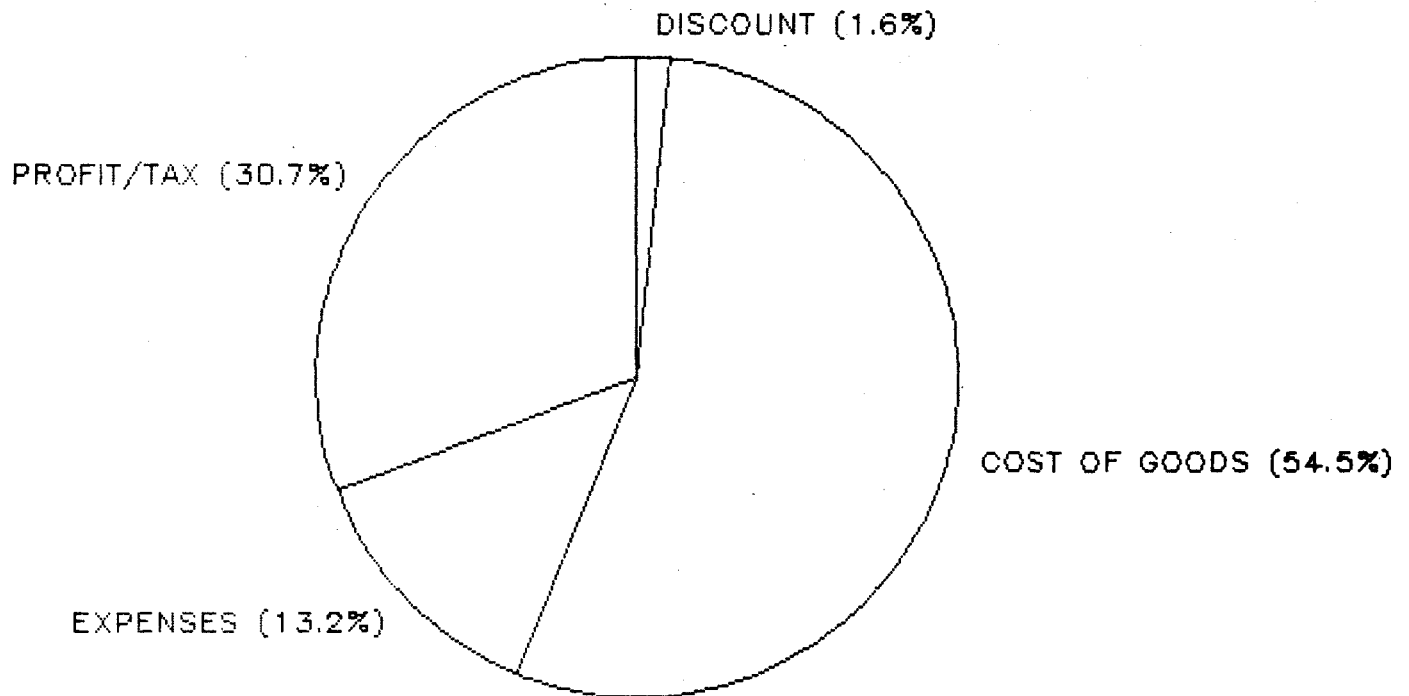
TOTAL	\$6,840,571
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OTHER EXPENSES INCLUDE:

DEPRECIATION	\$117,682
REPAIRS	57,062
AUDIT COSTS	21,908
OTHER EXPENSES	34,621

EXHIBIT G

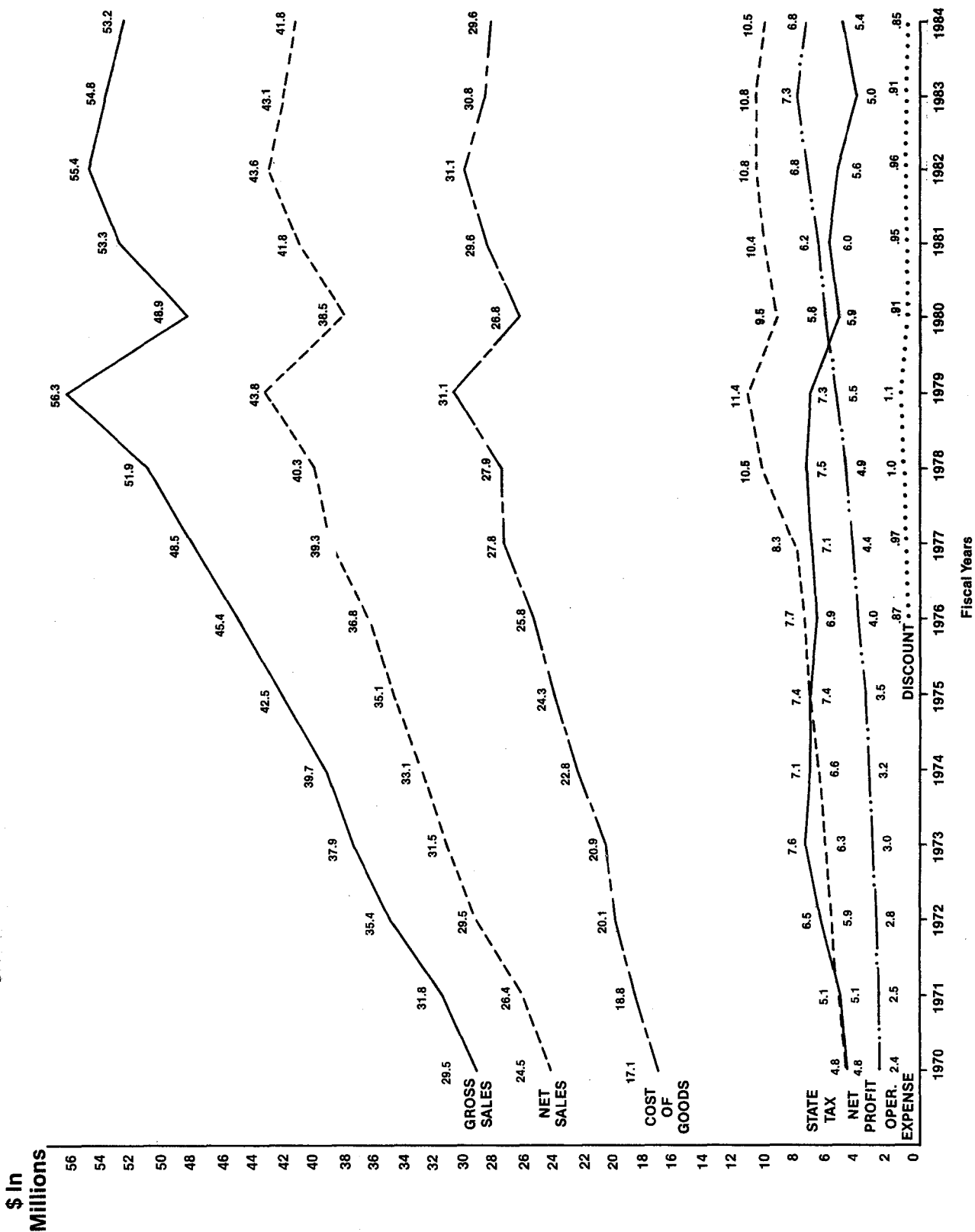
GROSS SALES DOLLAR DISBURSEMENT
FOR FISCAL YEAR 1984



GROSS SALES	\$53,213,722
DISCOUNTS	849,679
COST OF GOODS	28,323,560
EXPENSES	6,840,571
PROFIT AND TAX INCOME	15,928,477

COST OF GOODS FIGURE INCLUDES INBOUND AND OUTBOUND FREIGHT.

EXHIBIT H



DATE :01/10

DEPARTMENT OF REVENUE
BUDGET WORKSHEETAGENCY :5801 DEPARTMENT OF REVENUE
PROGRAM : 05 LIQUOR DIVISION
CONTROL :

CURRENT LEVEL SERVICES ONLY

AE/DE	DESCRIPTION	DBPP FY 86	LFA FY 86	DIFFERENCE FY 86	SUB-CMT FY 86	DBPP FY 87	LFA FY 87	DIFFERENCE FY 87	SUB-CMT FY 87
0000	FULL TIME EQUIVALENT (FTE)	216.08	216.08	.00	---	216.08	216.08	.00	---
1100	SALARIES	\$3,494,023	\$3,546,797	\$52,774	---	\$3,498,853	\$3,551,338	\$52,485	---
1200	HOURLY WAGES	\$9,273	\$0	\$9,273	---	\$9,273	\$0	\$9,273	---
1400	EMPLOYEE BENEFITS	\$596,998	\$603,144	\$6,146	---	\$599,602	\$605,686	\$6,084	---
1500	HEALTH INSURANCE	\$244,800	\$244,200	\$600	---	\$244,800	\$244,200	\$600	---
	TOTAL LEVEL	\$4,345,094	\$4,394,141	\$49,047	---	\$4,352,528	\$4,401,224	\$48,696	---
2000	INFLATION	\$1,294,491	\$294,358	\$1,000,133	---	\$1,307,938	\$473,529	\$834,409	---
2100	CONTRACTED SERVICES	\$1,109,210	\$938,370	\$170,840	---	\$1,203,388	\$938,370	\$265,018	---
2200	SUPPLIES & MATERIALS	\$62,484	\$58,986	\$3,498	---	\$126,914	\$58,986	\$67,928	---
2300	COMMUNICATIONS	\$97,844	\$97,959	\$115	---	\$97,844	\$97,959	\$115	---
2400	TRAVEL	\$34,118	\$30,827	\$3,291	---	\$34,118	\$30,827	\$3,291	---
2500	RENT	\$753,685	\$755,926	\$2,241	---	\$753,842	\$755,926	\$2,084	---
2600	UTILITIES	\$170,624	\$170,624	\$0	---	\$170,624	\$170,624	\$0	---
2700	REPAIR & MAINTENANCE	\$57,061	\$57,061	\$0	---	\$63,561	\$57,061	\$6,500	---
2800	OTHER EXPENSES	\$168,922	\$168,591	\$331	---	\$168,922	\$168,591	\$331	---
2900	GOODS PURCHASED FOR RESALE	\$29,883,905	\$29,451,942	\$431,963	---	\$29,883,905	\$29,451,942	\$431,963	---
	TOTAL LEVEL	\$33,632,344	\$32,024,644	\$1,607,700	---	\$33,811,056	\$32,203,815	\$1,607,241	---
3100	EQUIPMENT	\$963,550	\$0	\$963,550	---	\$52,750	\$0	\$52,750	---
	TOTAL LEVEL	\$963,550	\$0	\$963,550	---	\$52,750	\$0	\$52,750	---
	TOTAL PROGRAM	\$38,940,988	\$36,418,785	\$2,522,203	---	\$38,216,334	\$36,605,039	\$1,611,295	---
06000	LIQUOR FUNDS	\$38,940,988	\$36,418,785	\$2,522,203	---	\$38,216,334	\$36,605,039	\$1,611,295	---
	TOTAL PROGRAM	\$38,940,988	\$36,418,785	\$2,522,203	---	\$38,216,334	\$36,605,039	\$1,611,295	---

BUDGET ISSUES:

- DISCUSSION OF PERFORMANCE USING THE CONCEPT OF AN OPEN ENDED BUDGET WITH EXPENDITURE LIMITATION BASED ON SALES
- DISCUSSION OF LIQUOR INVENTORY MANAGEMENT SYSTEM (LIMS)

Exp.
15% of net sales
13% " " - profits

Handwritten notes:
15% of net sales
13% " " - profits
15% of net sales
13% " " - profits

Exhibit 14
1/24/85

BUDGET MODIFICATION

Department of Justice Program: Highway Patrol Division - 13
1986-87 Biennium Executive Page Number: 156

TITLE: ADDITIONAL HIGHWAY PATROL OFFICERS

REQUEST: The Department requests highway earmarked funds to support 13 new Highway Patrol officers (FY 86 - 7 FTE, FY 87 - 13 FTE).

JUSTIFICATION: The additional officers are needed to provide 24 hour coverage in high accident metropolitan areas, to continue to provide coverage in some rural areas and to address growing problems created by increased traffic and vehicle miles traveled in Montana. The Patrol tentatively plans to locate the officers as follows: 1 traffic officer in Sanders County, 10 traffic officers in the Billings area, 1 safety education officer in billings to cover the eastern third of the State, and 1 safety education officer in Missoula to cover the western third of the State. Demand for patrol coverage in populated areas will force a major reallocation of personnel to equalize workload.

<u>*FISCAL DATA:</u>	<u>FY 1986</u>	<u>FY 1987</u>
<u>F. T. E.'s</u>	7.0	13.0
<u>Personal Services</u>	<u>\$131,415</u>	<u>\$278,499</u>
<u>Operating Expenses:</u>		
Contracted Services	1,645	1,714
Supplies & Materials	29,832	43,312
Communications	744	1,677
Travel	8,512	18,070
Rent		
Utilities		
Repair & Maintenance	4,033	8,559
Other Expenses	4,700	5,100
Subtotal	<u>49,466</u>	<u>78,432</u>
<u>Equipment</u>	<u>113,372</u>	<u>104,886</u>
<u>Total Request</u>	<u>\$294,253</u>	<u>\$461,817</u>
<u>Funding:</u>		
General Fund	162,838	183,318
Other Funds	<u>131,415</u>	<u>278,499</u>
<u>Total Funds</u>	<u>\$294,253</u>	<u>\$461,817</u>

*Figures for personal services and most operating expenses reflect a 21% decrease since patrol officers will be at recruit school for eleven weeks prior to being sworn in.

BUDGET MODIFICATION

Department of Justice Program: Highway Patrol Division - 13
1986-87 Biennium Executive Page Number: 157

TITLE: RECRUIT SCHOOL--55 MPH ENFORCEMENT PROJECT

REQUEST: The Department requests funds to provide training for 4 new patrol officers for the 55 MPH enforcement program.

JUSTIFICATION: The four officers for the 55 MPH Enforcement Project will be federally funded, however, funds for training the officers are not included in the federal grant. The Highway Patrol will train the officers in an 11-week school held at the Law Enforcement Academy. Officers are not sworn or assigned until they have successfully completed recruit school training.

<u>FISCAL DATA:</u>	<u>FY 1986</u>
<u>F. T. E.'s</u>	.85
<u>Personal Services</u>	<u>\$14,232</u>
<u>Operating Expenses:</u>	
Contracted Services	3,256
Supplies & Materials	332
Communications	
Travel	2,048
Rent	
Utilities	
Repair & Maintenance	188
Other Expenses	
Subtotal	<u>5,824</u>
<u>Equipment</u>	
<u>Total Request</u>	<u>\$20,056</u>
<u>Funding:</u>	
General Fund	20,056
Other Funds	
Total Funds	<u>\$20,056</u>

BUDGET MODIFICATION

Department of Justice Program: Highway Patrol Division - 13
1986-87 Biennium Executive Page Number: 157

TITLE: RECRUIT SCHOOL--13 ADDITIONAL PATROL OFFICERS

REQUEST: The Department requests funds to provide training for 13 new patrol officers.

JUSTIFICATION: The 13 officers include 7 officers in FY 86, and 6 officers in FY 87. The Highway Patrol will train the officers in an 11-week school held at the Law Enforcement Academy. Officers are not sworn or assigned until they have successfully completed recruit school training.

<u>FISCAL DATA:</u>	<u>FY 1986</u>	<u>FY 1987</u>
<u>F. T. E.'s</u>	1.48	1.3
<u>Personal Services</u>	<u>\$24,906</u>	<u>\$21,651</u>
<u>Operating Expenses:</u>		
Contracted Services	5,698	4,886
Supplies & Materials	581	468
Communications		
Travel	3,584	3,240
Rent		
Utilities		
Repair & Maintenance	329	520
Other Expenses		
Subtotal	<u>10,192</u>	<u>9,114</u>
<u>Equipment</u>		
<u>Total Request</u>	<u>\$35,098</u>	<u>\$30,765</u>
<u>Funding:</u>		
General Fund	35,098	30,765
Other Funds		
Total Funds	<u>\$35,098</u>	<u>\$30,765</u>

VISITORS' REGISTER

COMMITTEE

Agencies
BILL NO. _____Gen. Gov't & Highways
Revenue - legal Division
Liquor Division

DATE

1/24/85

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<u>Sen. A. Meredith</u>	<u>Helena (DOR)</u>	<u>Legal</u>	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.