

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the General Government and Highways subcommittee was called to order by Chairman Rehberg on February 6, 1987 at 8:00 a.m. in Room 132 of the State Capitol.

ROLL CALL: All committee members were present. Also present were Norm Rostocki, Budget Analyst from the Office of Budget & Program Planning and Pam Joeehler, Senior Fiscal Analyst from the Office of the Legislative Fiscal Analyst. (LFA)

73A:0.00

DEPARTMENT OF REVENUE

Pam Joeehler, LFA, provided the committee with a comparison of the operating expense and equipment differences between the LFA and the OBPP for each sub-program except for Child Support. (Exhibit No. 1). This has already been provided. She also provided information regarding the FTE changes for FY 88 and FY 89 for the entire Department of Revenue. (Exhibit No. 2). John LaFaver, Director of the Department of Revenue, said he would like to explain why one element of the list showing FTE changes differs with the numbers referred to by the Department. The Department included the liquor store employees in the FTE reductions. Since that is not a specific appropriation made by the committee, these were left out of the statistics on the sheet provided by the LFA. He stated they had not had a chance to verify all numbers, but in the aggregate, the department would be close to the numbers on the list, if the liquor store FTE were added.

Director's Office

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Sen. Gage moved the committee add \$690.00 each year to personal services for the health insurance.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Rep. Quillici moved the committee adjust the rent for the entire Department of Revenue by adding \$7,954 to the FY 86 base.

A voice vote was taken and the motion PASSED unanimously.

There were no further adjustments or motions for the Director's Office.

(13.13)

Director's Office-Legal Bureau

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the LFA budget with the \$690.00 added each year to personal services for the health insurance.

A voice vote was taken and the motion PASSED unanimously.

Centralized Services Division

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

The issue of the Revenue Control System was discussed. Mr. LaFaver said this was primarily in response from repeated recommendations by the Legislative Auditor that this has been implemented in order to reconcile all the various sub-systems back to the state centralized accounting system.

Without this system to tie everything together, the department would continue to be subject to the well founded criticisms of the Legislative Auditor. Mr. LaFaver said he viewed this as an essential part of assuring the integrity of the financial information.

There was discussion regarding the source of the funding for the system.

EXECUTIVE ACTION

Rep. Quilici moved the committee add \$43,758 in FY 88 and \$49,195 in FY 89 for operation of the revenue control system.

A voice vote was taken and the motion PASSED, with Chairman Rehberg voting no.

EXECUTIVE ACTION

Sen. Keating moved the committee deduct overtime and overtime benefits from the LFA budget in the amount of \$5,137 per year.

A voice vote was taken and the motion PASSED unanimously.

Norm asked the committee to consider language to be included in the General Appropriations Act at a later date when the bill including the RIT projects is drafted. Chairman Rehberg requested Norm to earmark this to be done in full committee.

(24.09)

Research and Information Division

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Sen. Gage moved the committee increase personal services for health insurance \$690.00 per year.

A voice vote was taken and the motion PASSED unanimously.

Jack Ellery, Deputy Director of Operations, addressed the issue in contracted services for computer charges.

Pam Joehler, LFA, said she considered all the line items relating to computer charges paid to the Department of Administration. She did take the lower of what was authorized by the last Legislature versus what was expended by the agency.

EXECUTIVE ACTION

Rep. Quilici moved the committee insert the \$9,000 per year in contracted services.

A voice vote was taken and the motion PASSED, with Chairman Rehberg and Sen. Keating voting no.

Mr. LaFaver addressed the issue of the one FTE, Programmer Analyst, in personal services. He stated the vacancy was left there to pay for the vacancy savings. If that position is eliminated and the department has to take vacancy savings, the result will be a further reduction in the operating staff at a time when there are more automated systems for those people to operate. If this FTE is eliminated and there is no further vacancy savings, the department will end up about where they are now and they can live with that. But, if they lose this FTE and the pay plan is not fully funded once again, the staff will be reduced at a time when the workload is increasing.

Chairman Rehberg explained the committee has taken the position that, while no one likes vacancy savings and the committee understood the difficult situations it created

for the agencies, as long as the Governor was going to send the committee a budget balanced using vacancy savings, the committee will take it. He said if the department made the policy decision that the work could continue without the FTE, the committee will have to assume this to be true. Mr. LaFaver said that was accurate but if vacancy savings was applied on top of this, the department would have to leave another position vacant as well.

Development Staff - Modification

There was no committee discussion or action.

(35.40)

Legal Division - Administration

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

Pam Joehler, LFA, told the committee she spoke to the division administrator while preparing this budget and he told her he estimated they would spend 15% of their time on video poker activities. The dollar amount included from video poker fees reflects that allocation of time and the administration should be reimbursed accordingly. They did not spend any video poker money in this program in 86. They did spend time, but it was paid by something else.

Norm Rostocki told the committee that if HB 189 goes through there will be changes because the projected revenue will not be available. Norm said he wanted to split the issues on that bill. Part of it is going to Commerce and the fees drop to three percent of the licensing revenue under current law. If the committee assumes the bill will not pass and goes with the status quo, then the committee will have to assume three percent revenues. He expressed concern because if the committee assumes five percent and that will stay in Revenue, that means the current bill would have to be amended.

Pam said she did not necessarily assume it would go to five percent, but if the revenues were available, the function would be performed. Mr. LaFaver said if the committee goes with the LFA, they will be assuming there is money here that will not be available unless the bill does pass.

EXECUTIVE ACTION

Sen. Keating moved the committee delete \$18,685 in FY 88 and \$18,711 in FY 89 from the Gambling and License Fee Account and that the General Fund be increased \$18,685 in FY 88 and \$18,711 in FY 89,

A voice vote was taken and the motion PASSED unanimously.

73B:0.45

Legal Division - Investigation

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Sen. Keating moved the committee approve the reduction of 2.5 FTE from the LFA budget and personal services accordingly.

A voice vote was taken and the motion PASSED unanimously.

Chairman Rehberg asked Pam Joehler if the committee could be assured by the previous motion that Liquor Division income would be used before general fund.

Sen. Keating suggested that Norm Rostocki and Pam Joehler work out the numbers on the reduction of FTE in both salary and operating expenses and the funding.

Pam asked the committee for clarification on source of funding for the 2.5 FTE deleted. She said they were originally funded from the Gambling License Fee account in the LFA budget for \$76,000 per year. The OBPP used \$61,000 in FY 88 and \$69,000 in FY 89 as their estimate of the video poker fees to be received from the Department of Commerce in order to fund Video Poker Investigation functions within the 14.5 FTE. Pam asked if Video Poker should be used as the source of funding. The committee has approached this as if the bill failed. Pam said she would figure out what the revenue estimate would be for three percent of the video poker fees. That will be the total amount available to fund all administrative functions for video poker. If the committee decides to keep the licensing function of video poker in the Department of Revenue, administrative fees will be needed to pay for this, also. Pam questioned if the fees should go to licensing or to investigation.

Sen. Gage asked both Norm and Pam if they had the same estimate of the revenue to come in from the licensing. Pam and Norm said they could come up with an agreeable figure regarding the number of machines. Pam pointed out the OBPP budget was based on the Department of Commerce getting this and the fees being increased to five percent and the committee was assuming the fees to be three percent. Norm said OBPP counted on the bill passing and, therefore, used the five percent. Sen. Keating said the committee felt the bill would pass but, for budgeting purposes, the committee deals with how things are at the time the budget is presented and changes are made at a later date, if necessary. Pam said if the money was there, the function was performed. If the money was not there, the FTE is not used and that was the general basis for the LFA budget.

Norm Rostocki told the committee, if the bill passes, in reality the licensing money will go to the licensing division and they will, in turn, contract for investigations. What is left will go to investigations. He suggested the funding go into licensing in the video poker program and the balance go into investigations. Pam agreed.

Sen. Gage asked about the problem of not having enough general fund money for a match with state funds. Pam said the federal money in this subprogram, Welfare Fraud and the Legal and Medicaid Fraud, in the amounts of \$85,000 and \$23,000, needed to be matched on a 50-50 basis with state funds. She did not put enough State General Fund in the budget to match this and was, therefore, approximately \$16,000 a year short. The agency had indicated they might be able to use Liquor Division funds.

Jon Meredith, Administrator of the Investigations and Enforcement Division, said they provided services as the funding dictated, but the demand is normally highest in the liquor area. Consequently, if liquor funds are used to augment the General Fund, the amount of time spent on liquor is decreased. This results in a slow down in transferring of liquor licenses, etc. He suggested there be enough put in the general fund to match 50-50 all the federal funds and, the liquor services would continue at the forty-five percent level. The welfare fraud and medicaid fraud work would also continue.

Norm pointed out that funding sources would display the priorities given to the division. More general fund would mean a concentration on the general fund areas, welfare and medicaid fraud. If liquor money is used to match, there is a decrease in that area. The way the funding is put together will direct the priorities of the department.

In answer to Sen. Gage's question regarding the non-funding of the 2.5 FTE Mr. Meredith said he would probably lay off two investigators hired with video poker monies originally and one-half clerical compliance tech.

(21.45)

Child Support Enforcement Bureau

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the LFA budget.

A voice vote was taken and the motion PASSED unanimously.

Sen. Keating said this program should be fully funded as it is necessary and serves a good function.

EXECUTIVE ACTION

Sen. Gage moved the committee accept the modified request for additional 9 FTE's and other funding as indicated.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Sen. Keating moved the committee allow the increased funding for the hearings officers in the amount of \$7,747 in FY 88 and \$10,742 in FY 89, the increased funding for lab tests in the amount of \$7,070 in FY 88 and \$7,070 in FY 89, and the increase for IRS intercept charges in the amount of \$1,794 in FY 88 and \$4,008 in FY 89.

A voice vote was taken and the motion PASSED, with Chairman Rehberg voting no.

Medicaid Fraud

There was no committee action.

(27.45)

Electronic Poker

As the OBPP had recommended this function be moved to the Department of Commerce, they did not prepare a budget.

Pam Joehler, LFA, referred to Exhibit No. 3. The funding is \$127,484 in FY 88 and \$127,626 in FY 89. There are four FTE in personal services and operating expenses. There is no equipment. The LFA budget reflected the agency's request.

Jon Meredith explained the bureau had no idea how much revenue to anticipate from the machines in FY 86. People were hired slowly, thus the vacancy savings, to try to meet what the

funding would allow. There was \$132,000 spent in the licensing, \$28,000 in the investigations, for a total of \$160,000. There was approximately a \$13,000 balance of administrative money carried over to this year. There was a dispute over the grandfather machines in FY 86. Until that was resolved, those funds were held and have not been disbursed to the local governments.

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget.

A voice vote was passed and the motion PASSED unanimously.

(33.15)

Liquor Division

Mr. LaFaver urged if liquor sales decrease or increase, the operating costs would move accordingly.

Pam Joehler handed out copies of language included in the current General Appropriations Act. It would require committee action to include it in the bill. (Exhibit No. 4)

EXECUTIVE ACTION

Rep. Quilici moved the committee include the language as on Exhibit No. 4.

A voice vote was taken and the motion PASSED unanimously.

74A:0.00

Income Tax Division

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Sen. Gage moved the committee reduce contracted services for FY 88 by \$56,000.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Sen. Gage moved the committee reduce the equipment by \$35,100 in FY 88 and \$18,400 in FY 89, but increase the

the equipment by \$8,260 in FY 88 and \$5,000 in FY 89 as recommended by the OBPP.

A voice vote was taken and the motion PASSED unanimously.

There was discussion regarding the modified request for 15.50 FTE. Mr. LaFaver said the 10-1 return, resulting in revenues of \$3,000,000, has been analyzed in several ways. The production report for last month showed \$1,200,000. This figure is approximately \$600,000 more than two years ago. As the numbers are followed month to month, it is evident the staff is becoming more and more knowledgeable and productive. Even as the income tax revenue as a whole has flattened out over the past year, the amount of revenue received from audits has accelerated.

Ken Morrison, Administrator of the division, said it has been tracked by individual positions and by the entire division. The numbers presented are by the entire division. Ken said it appears there will be approximately \$3,000,000 in additional collections and the assessments could be \$4,000,000 to \$5,000,000 in this fiscal year.

As the 15.50 FTE sunset July 1, 1987, the modified requests they be retained. This was also a modified request last session and, therefore, they were not built into the base, the intent of the subcommittee at the time.

EXECUTIVE ACTION

Rep. Quilici moved the committee accept the modified and retain the 15.5 FTE.

Rep. Quilici asked Mr. LaFaver to furnish the committee the production report.

Chairman Rehberg made a substitute motion the committee fund this modified request at thirteen FTE and maintain the sunset FTE for the next biennium.

Chairman Rehberg pointed out the division had used some sunset FTE as part of the five percent cuts and, if they felt they could do this, he would assume they were to be permanent cuts.

A voice vote was taken and the motion PASSED unanimously.

The committee recessed at 9:50 a.m.

The committee reconvened at 10:15 a.m.

Senator Keating was excused to introduce a bill.

(31.20)

Corporate Tax Division

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget.

A voice vote was taken and the motion PASSED unanimously.

Pam Joehler explained the expenditures for out-of-state travel were reduced in the base year by \$10,000 to eliminate the operating costs associated with the two sunsetted FTE. She added back \$17,945, for a net \$7,945 addition to the base to allow for increased out-of-state travel for the current level FTE. The OBPP removed \$16,000 from the base and included out-of-state travel in the modified recommendation for the two sunset FTE.

Norm stated the modified request for \$26,000 is for travel.

In contracted services, Jerry Foster, Administrator of the division, said they have used the services of expert witnesses to complete cases in which several million dollars have been at stake. These were a result of audits done by the State of Montana.

Mr. Foster said the purpose of the Multi State Tax Commission is to create uniformity among states. This has been accomplished. Subsequent to that, the MTC audit staff was developed to supplement the state's audit staff.

Corporate Tax Division - Modification

Mr. LaFaver said they could show the staff has more than paid for itself. The agents are now on board and scheduled to sunset.

EXECUTIVE ACTION

Rep. Quilici moved the committee accept the modified request for two revenue agents.

Jerry Foster told the committee it could be shown these two revenue agents brought in more than \$3,000,000 to \$4,000,000 for the biennium. He said it was anticipated each would bring in \$600,000 to \$700,000 per year again.

A voice vote was taken and the motion PASSED unanimously, with Chairman Rehberg voting no.

74B:5.30

Property Valuation - Assessors Elected

EXECUTIVE ACTION

Sen. Gage moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

There was discussion regarding vacancy savings for elected officials. If the committee decided to do this, Mr. LaFaver would want the authority to say the state would pay sixty-six percent of the salaries instead of seventy percent. He said there was no statute requiring the state to pay any part of the assessor's salary.

Norm pointed out the problems created by funding health insurance at seventy percent. Sen. Gage said he could appreciate the problem caused if health insurance was not funded at one hundred percent on the state level.

EXECUTIVE ACTION

Sen. Gage moved the committee approve the increase health insurance \$21,114 each year of the biennium.

A voice vote was taken and the motion PASSED unanimously.

It was decided to leave the issue of vacancy savings to the Full Appropriations Committee.

Appraisers & Non-Elected Assessors

EXECUTIVE ACTION

Rep. Poulsen moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Rep. Quillici moved the committee approve \$82,900 in FY 88 and \$79,400 in FY 89 in contracted services/computer processing charges.

A voice vote was taken and the motion PASSED, with Chairman Rehberg voting no.

There was discussion regarding the funding of contracted services/data entry and printing. Mr. Groepper, Administrator of the division, said printing was really a misnomer. These costs are really personal property functions and are done every year and are not associated with reappraisal.

The committee was reminded of the high mileage on the vehicles. Mr. Groepper said the division was looking at a five-year replacement cycle for the appraisal and assessment staff. Some of the vehicles purchased in 1983 will be approaching this replacement rotation by the next session. The 85 session reduced the number of vehicles from sixteen to eight.

75A:0.00

EXECUTIVE ACTION

Rep. Poulsen moved the committee approve the purchase of sixteen vehicles in FY 88 and sixteen in FY 89.

A voice vote was taken and the motion PASSED, with Chairman Rehberg voting no.

Communication and Postage

Mr. Groepper said with the existing laws, he did not see how the funding for postage could be at the LFA level. Pam Joehler said the agency was granted a base increase of \$163,000 for postage last time. They spent only \$64,000 of that base increase for postage and the balance was spent elsewhere. The increase was granted due to the completion of the reappraisal cycle and the requirements the agency had to fulfill. She went back to FY 85, a more normal work-cycle year, and that determined the dollar amount in the LFA budget.

Senator Keating returned to the meeting.

EXECUTIVE ACTION

Rep. Poulsen moved the committee approve the addition of \$30,879 in each year of the biennium for postage.

A voice vote was taken and the motion PASSED unanimously.

(16.05)

Property Valuation/On-Line Data System - Modification

Norm Rostocki said this was the centralization of the real property data on the state mainframe. He reminded the committee the division was currently using the computers that belong to the counties to develop the assessment notices. Part of the problem is the limitation of those computers as they do not have the ability to carry that much data. The personal property workload will be left at the county. The negative number in the first year reflects the savings at the current level.

Mr. Groepper said the division feels once the initial purchase of equipment is made and the system is set up, a savings of approximately \$150,000 per year could be realized in the next biennium. The modified is structured to allow two counties to come on-line in the first year and seventeen counties in the second year of the biennium. He said the modified would pay for itself in a couple years.

EXECUTIVE ACTION

Sen. Keating moved the committee accept the modified request of the agency for the on-line data system.

A voice vote was taken and the motion PASSED unanimously.

Property Valuation-Railroad Appraisal - Modification

Mr. Groepper told the committee there are court appearances scheduled in July of this year on three railroads and the potential is there for litigation with the trucking industry also. He stated this subcommittee had previously approved language stating the division could only use this money for litigation arising out of federal nondiscriminatory lawsuits.

EXECUTIVE ACTION

Chairman Rehberg moved the committee accept the modified request for \$60,000 in FY 88 and \$60,000 in FY 89, and that it be line-itemed for use in litigation arising out of federal nondiscriminatory lawsuits.

Sen. Gage said he was opposed to this in the beginning and could not support this motion.

A voice vote was taken and the motion PASSED with Sen. Keating and Sen. Gage voting no.

(30.26)

Property Valuation/Property Assessment-Helena

EXECUTIVE ACTION

Rep. Quilici moved the committee adopt the LFA budget.

A voice vote was taken and the motion PASSED unanimously.

Property Valuation/Property Assessment-Administration

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Sen. Keating moved the committee reduce repair and maintenance by \$6,071 each year of the biennium.

A voice vote was taken and the motion PASSED unanimously.

Mr. Groepper again addressed the problem in funding postage. He said if the division had been running less than the figure for the first six months of this year, he would support a drop in funding to that level. However, the division is already spending at \$15,000 for the first six months and it would be difficult to cut out anything more in postage. He said he would be willing to accept some reduction in the second year of the biennium to reflect a part of the modified approved because some high priority counties will be automated. Until other counties get on, the mailing will have to continue.

EXECUTIVE ACTION

Rep. Quilici moved the committee allow the addition of \$10,233 in FY 88 and \$7,500 in FY 89 in communication.

Rep. Quilici amended his motion to read the addition of \$7,500 in each year of the biennium for postage.

Chairman Rehberg made a motion for all motions pending to take \$10,000 per year out of Program 81, postage, and put into Program 83, Appraisers and Non-Elected assessors.

A voice vote was taken and the motion DID NOT PASS, with Sen. Gage, Sen. Stimatz, Rep. Quilici, Rep. Poulsen and Sen. Keating voting no.

EXECUTIVE ACTION

Rep. Quilici moved the committee allow the addition of \$7,500 in each year of the biennium for postage.

A voice vote was taken and the motion PASSED, with Chairman Rehberg voting no.

(39.40)

Motor Fuel Tax

EXECUTIVE ACTION

Sen. Keating moved the committee adopt the LFA budget with adjustments.

A voice vote was taken and the motion PASSED unanimously.

Pam Joehler told the committee she had interpreted some information given to her by the agency during the analysis to mean the gas tax refund was not going to be implemented on the new computer system and apparently this would not be the case. This resulted in differences in contracted services.

75B:0.00

Jack Ellery told the committee it has been the goal of the department all along to automate the system in order to make it more efficient and to reduce the number of clerical tasks. This was to allow the department to transition the clerical staff into more auditing functions in order to increase the revenue. This is the intent of the department in the next biennium.

EXECUTIVE ACTION

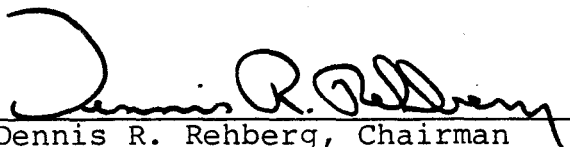
Sen. Keating moved the committee allow the increase in contracted services of \$28,214 in FY 88 and \$37,020 in FY 89.

A voice vote was taken and the motion PASSED, with Rep. Quilici voting no.

Pam Joehler asked for clarification in the reduction of 2.5 FTE in the Income Tax modified approved by the committee today. She asked for specific positions the committee wanted deleted. Rep. Quilici said this should be left up to the department. Mr. LaFaver said he thought Pam needed to know what position to base the salary level on and, from the viewpoint of the department, they would rather let two support staff go.

It was decided Pam would review this with the agency and identify the specific FTE and come back to the committee with a dollar amount. This would be done in proportion to the dollar savings the department derived from the five percent cuts.

ADJOURNMENT: The meeting was adjourned at 11:55 a.m.


Dennis R. Rehberg, Chairman

DAILY ROLL CALL

GENERAL GOVERNMENT & HIGHWAYS

SUBCOMMITTEE

DATE February 6, 1987

[illegible]

ISSUE	LFA Lower FY 88	(Higher) than OBPP FY 89
1. PERSONAL SERVICES/Health Insurance 1/2-Time person This amount should be added to the LFA current level	\$690	\$690
2. CONTRACTED SERVICES/Professional & Consulting Services The executive recommendation includes funding for a contract for the services of a person who is now a state employee. The LFA current level reduced the FY86 expenditure for this category to \$1000 each year.	\$9,745	\$9,745
3. CONTRACTED SERVICES/Printing-Other Provider This amount should be reduced from LFA current level as the agency did not request funding for this type of expenditure.	(\$205)	(\$205)
4. SUPPLIES & MATERIALS/Office Supplies, Central Stores Agency reduced this for part of 5% cut. The LFA made the reduction; the OBPP did not.	\$250	\$250
5. COMMUNICATIONS/Telephone Add, Move, Change OBPP took this expenditure out; LFA left in	(\$448)	(\$448)
6. TRAVEL/In State Commercial Transport LFA reduced this expenditure category as the base year expenditures were very high in relation to prior years. Went from \$897 in FY84, \$515 in FY85, to \$3,122 in FY86. LFA reduced to \$897.	\$2,225	\$2,225
5. RENT/Air Craft Rental, Meeting Rooms LFA deleted these expenditures, OBPP left in	\$349	\$349
6. OTHER EXPENSES/Training LFA reduced base expenditures because base expenditures were over double the amount included in the fiscal 1986 appropriation.	\$700	\$700
7. OTHER EXPENSES/Dues to National Assoc. of Tax Administrators This should be added to LFA current level. It was inadvertently removed.	\$465	\$465

EQUIPMENT COMPARISON

ither the OBPP nor the LFA funded the agency's equipment request in this subprogram

ISSUE	LFA Lower (Higher) than OBPP	
	FY 88	FY 89
PERSONAL SERVICES/Health Insurance 1/2-Time person s amount should be added to the LFA current level	\$690	\$690

EQUIPMENT COMPARISON

	-----FY 88-----		-----FY 89-----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
File Cabinets	\$500 1	\$265 1	\$500 1	\$265 1
Dictaphone	\$100 1	\$100 1	\$0 0	\$0 0
Calculator	\$75 1	\$75 1	\$0 0	\$0 0
Transcriber	\$0 0	\$0 0	\$200 1	\$200 1
TOTAL	\$675	\$440	\$700	\$465

ISSUE	LFA Lower (Higher) than OBPP	
	FY 88	FY 89
1. PERSONAL SERVICES/Overtime The executive does not include overtime or overtime benefits in its recommendation	(\$5,137)	(\$5,137)
2. CONTRACTED SERVICES/Revenue Control System The agency requested funding for computer processing charges for a computer system which was not authorized by the 1985 Legislature. The executive recommended funding for this system while the LFA did not include funding for it in the current level budget. We felt it was necessary that the legislature be made aware of this system and that the agency should justify the expense for it.	\$44,300	\$44,300
3. COMMUNICATIONS/Telephone Add, Move, Change The executive removed these charges from the base while LFA left it in	(\$844)	(\$844)
4. RENT/Office Rent Because of the discussion with OBPP and the agency on Friday, Jan 30, 1987, the rent differences are no longer an issue.	\$9,651	\$7,722
5. TRANSFERS/RIT Interest Transfers The executive did not include these transfers but is now proposing language be included in the general appropriations act boiler plate allowing the department to transfer these funds from the department to other agencies who may receive approp authority from this legislature to expend the funds for specific purposes. In the current biennium, the department sought administrative approp authority for the purpose of transferring the money to other agencies, such as the University system and DNRC.	(\$5,096,750)	(\$4,536,500)

EQUIPMENT COMPARISON

	-----FY 88-----		-----FY 89-----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
Typewriter	\$800 1	\$825 1	\$800 1	\$825 1
Microfiche Reader	\$291 1	\$0 0	\$303 1	\$0 0
PC/Liquor Store Auditors	\$3,000 1	\$3,000 1	\$3,000 1	\$0 0
Calculator	\$0 0	\$75 1	\$0 0	\$75 1
Check Endorsing Machine	\$0 0	\$0 0	\$0 0	\$3,550 1
TOTAL	\$4,091	\$3,900	\$4,103	\$4,450

ISSUE	LFA Lower FY 88	(Higher) than OBPP FY 89
PERSONAL SERVICES/1.0 FTE Programmer Analyst LFA deleted 1.0 FTE programmer analyst which is included in executive recommendation. This position was deleted because it was vacant for half of fiscal year 1986 and was still vacant as of November 7, 1986.	\$24,018	\$23,977
2. PERSONAL SERVICES/Health Insurance This should be added to LFA current level	\$690	\$690
CONTRACTED SERVICES/Computer Charges The diff between the LFA and the executive recommendation for computer charges is due to the LFA reducing the FY86 expenditure base \$20,400 more than requested by the agency. The agency overspent its computer budget by \$122,563. \$110,000 of this overexpenditure was for expenses incurred by the property assessment division. The agency "gave up" \$98,600 of this overexpenditure. The LFA current level budget reductions occurred in computer processing charges by DOA and computer development charges by DOA.	\$16,640	\$18,960
CONTRACTED SERVICES/Printing The executive is recommending \$7,000 for the agency's biennial report to the governor and the legislature. The LFA had included \$6,500 in the current level budget as this is the amount, approximately, that the book has cost for the last two bienniums, in spite of rising printing costs evidenced in other budgets.	\$0	\$500
OTHER EXPENSES/Recruiting The difference here is attributable to the executive recommending \$200 for recruiting expenditures and the LFA left the expenditure at the FY86 base amount.	(\$1,169)	(\$1,169)
FUNDING/Liquor Division The LFA exceeds the OBPP. The LFA included liquor funds at the level it did for two reasons: (1) This was the agency's request, and (2) the additional funding is due to 3.0 FTE being transferred into this division in FY86 from the liquor division and being retained by THIS DIVISION in the 1989 biennium. The OBPP included liquor funding in the same percentage as it was spent in fiscal 1986, and because expenditures decreased between fiscal 1986 and 1988 & 1989, the liquor funding also decreased.	(\$29,427)	(\$31,317)

EQUIPMENT COMPARISON				
	-----FY 88-----		-----FY 89-----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
PC Workstations	\$0	\$3,975	\$0	\$7,950
	0	1	0	2
IBM PC/AT	\$0	\$3,495	\$0	\$0
	0	1	0	0
CRT	\$0	\$597	\$0	\$0
	0	1	0	0
Printer	\$0	\$1,398	\$0	\$0
	0	1	0	0
Memory Expansion	\$0	\$1,010	\$0	\$0
	0	\$1	0	0
TOTAL	\$0	\$10,475	\$0	\$7,950

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05-Feb-87

ISSUE	LFA Lower FY 88	(Higher) than OBPP FY 89
1. FUNDING/GENERAL FUND The LFA current level budget provided sufficient general fund only to match the Child Support federal funds (34%) and the Welfare/Medicaid fraud funds (50%).	\$14,104	\$14,079
2. FUNDING/GAMBLING LICENSE FEE The LFA included funding for administration of video poker/lottery based on the administrator's estimate of the amount of time they would be devoting to that activity in the 1989 biennium (15%) if the department continues to perform investigation functions for the video poker or for the lottery. The executive recommends no funds be used for administrative purposes in the Department for video poker/lottery.	(\$18,685)	(\$18,711)
3. FUNDING/CHILD SUPPORT FEDERAL FUNDS The LFA current level includes authority for these funds which reflect the administrators estimate of how much time will be spent by his staff on Child Support activities in the 1989 biennium (60%).	\$6,249	\$6,179
4. FUNDING/WELFARE AND MEDICAID FRAUD The LFA current level budget again reflects the amount of time the administrator estimated he and his staff would spent on administration of the welfare and medicaid fraud program (5% each). These funds are matched 50% with state general fund.	\$4,484 (\$3,114)	\$4,536 (\$3,114)
5. FUNDING/LIQUOR FUNDS The LFA current level budget reflects the amount of time the administrator indicated he and his staff would spend on administrative functions for the liquor investigation program.	(\$3,832)	(\$3,848)

EQUIPMENT COMPARISON

Neither the OBPP nor the LFA funded the agency's equipment requests for the 1989 biennium.

05-Feb-87

ISSUE	LFA Lower (Higher) than OBPP	
	FY 88	FY 89
PERSONAL SERVICES/2.5 FTE INVESTIGATIVE STAFF	(\$57,699)	(\$58,143)
<p>The current level budget includes 2.5 FTE investigative staff transferred from the video poker program which is not included in the executive recommendation. The executive funds the video poker investigation program with video poker funds but uses the funds to pay for 'current level' FTE in the investigation program. The agency spent \$28,719 of video poker \$\$ in FY86 for video poker investigations for FTE they had transferred into this subprogram from the video poker subprogram.</p> <p>The intent of the LFA current level was to provide the FTE and the authority to spent any available video poker funds for investigation functions in the 1989 biennium. If the funds are not available, the FTE would not be used.</p>		
2. PERSONAL SERVICES/OVERTIME AND OVERTIME BENEFITS	(\$920)	(\$920)
The executive did not include overtime or overtime benefits in its recommendation.		
3. CONTRACTED SERVICES/CONSULTING AND PROF SERVICES	\$2,014	\$2,014
The executive recommends \$2,500, an increase of \$2,014, for expert witnesses and hearings officers. The LFA left the FY86 expenditure base at its 86 level.		
4. SUPPLIES AND TRAVEL	(\$6,713)	(\$8,736)
The executive is recommending a lower expenditure level in these two expenditure categories due to the fiscal problems, generally, and the need to make expenditures fit the available revenues for this program, particularly. The LFA left these expenditure categories at the FY86 base expenditure level.		
5. REPAIR AND MAINTENANCE/VEHICLE MAINTENANCE	\$4,000	\$4,000
The executive is recommending \$4,000 be allowed each year for vehicle maintenance. The LFA current level budget eliminated this expenditure from the base.		
6. REPAIR AND MAINTENANCE/MULTI-USER COMPUTER	(\$387)	(\$387)
The executive eliminated this expenditure from the base, while the current level budget included it.		

EQUIPMENT COMPARISON

	----FY 88----		----FY 89----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
Vehicle	\$10,000 1	\$8,652 1	\$10,000 1	\$9,000 1
TOTAL	\$10,000	\$8,652	\$10,000	\$9,000

LEGAL DIVISION-VIDEO POKER

05-Feb-87

ISSUE

LFA Lower (Higher) than OBPP
FY 88 FY 89

The LFA current level continues the video poker program (the licensing functions) in the Department because that is the place it currently resides. Funding is provided from any available administrative funds for video poker. The intent is that if the funding is not available, the FTE will not be used for any other purpose.

The executive recommends this function be moved to the Department of Commerce.

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SSUE	LFA Lower (Higher) than OBPP FY 88	FY 89
CONTRACTED SERVICES/COMPUTER PROCESSING CHARGES The executive is less than the LFA current level because the executive does not include \$56,000 in fiscal 1988 for program testing and development. The LFA current level did include this amount in fiscal 1988 for this purpose. Based on testimony from the agency on February 5, 1987, the agency will be delaying the system's testing and development costs until FY 89 and will not need the \$56,000 in fiscal 1988. In fiscal 1989, the difference is attributable to the executive including the cost of the old system in current level (approx \$75,000). The LFA included the increased operating costs (approx \$91,000) in fiscal 1989 current level because this system was authorized by the 1985 legislature.	(\$54,963)	(\$95,890)
CONTRACTED SERVICES/CONSULTING AND PROFESSIONAL SVCS The executive recommendation includes additional funds for Unclaimed Property Audit training and for legal services, \$6,300 above the base expenditure level, while the LFA includes \$2,500 above base level for this purpose.	\$3,800	\$3,800
COMMUNICATIONS/POSTAGE The executive recommends higher postage than included in the LFA current level budget.	\$1,000	\$1,000
REPAIR AND MAINTENANCE/COMPUTER MAINTENANCE The executive recommends higher computer maintenance costs than included in the LFA current level budget.	\$2,650	\$2,650
5. OTHER EXPENSES/REGISTRATION FEES FOR TRAINING CONFERENCES The executive deleted these type of expenses when it combined the miscellaneous tax division with the income tax division. The LFA included the expenditure in the base.	(\$840)	(\$840)
6. EQUIPMENT/MULTI-USER COMPUTERS AND TERMINALS The executive does not include funding in its recommendation for multiuser terminals and printers needed to operate the new computer systems. The LFA includes funding for this equipment.	(\$35,100)	(\$18,400)
7. EQUIPMENT/OFFICE EQUIPMENT The executive DOES include funding for office equipment which is not included in the LFA current level budget. This includes one each year, one portable PC in 88 only, a microfiche printer in 88 only, and \$1500/yr for 15 calculators each year.	\$8,260	\$5,000

EQUIPMENT COMPARISON	-----FY 88-----		-----FY 89-----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
MultiUser Terminals	\$22,100 13		\$11,900 7	
Printers	\$13,000 2		\$6,500 \$1	
Personal Computer	\$0 0	\$3,500	\$0	\$3,500
Portable PC	\$0 0	\$1,500 1	\$0 0	\$0 0
Microfiche Reader	\$0 0	\$1,760 1	\$0 0	\$0 0
Calculators	\$0 0	\$1,500 15	\$0 0	\$1,500 15
Transcriber	\$0 0		\$200 1	
TOTAL	\$35,100	\$8,260	\$18,400	\$5,000

NATURAL RESOURCES AND CORPORATION TAX

05-Feb-87

ISSUE	LFA Lower (Higher) than OBPP FY 88	FY 89
1. PERSONAL SERVICES/Career Ladder The executive recommendation includes additional funds each year of the 1989 biennium for a career ladder within the corp tax division. This is not included in the LFA current level budget.	\$10,295	\$18,830
2. CONTRACTED SERVICES/Professional & Consulting Services The executive recommendation includes additional funds above the base expenditure level (\$80,880) for expert witnesses and special legal services. The LFA includes funding for dues to the Multistate Tax commission (\$74,000 each year) with the remaining amount available for limited use of expert witnesses and special legal services.	\$18,120	\$18,120
3. SUPPLIES/Books, Office Supplies The executive recommendation reflects the agency's request and the actual FY86 expenditure. The LFA reduced the FY86 actual expenditure in these two expenditure categories because fiscal 1986 expenditures were much higher than in prior years. (\$5,225 in FY84, \$3,205 in FY85, \$8,763 in FY86)	\$4,548	\$4,548
4. TRAVEL/Out of State Travel The executive reduced out of state travel FY 86 expenditures \$16,000 each year and added it to the modified request. The LFA current level reduced FY 86 out of state travel expenditures by \$10,000 and then added \$17,945, a net \$7,945 addition, to out of state travel to allow for increased travel for out of state audits.	(\$23,945)	(\$23,945)

EQUIPMENT COMPARISON

	-----FY 88-----		-----FY 89-----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
Portable PCs	\$0 0	\$2,500 1	\$0 0	\$0 0
TOTAL	\$0	\$2,500	\$0	\$0

ELECTED ASSESSORS

05-Feb-87

ISSUE	LFA Lower (Higher) than OBPP FY 88	FY 89
PERSONAL SERVICES/Health Insurance Benefits LFA current level provides salaries and benefits for the lected assessors at 70 percent of the fiscal 1987 level. The BPP included 100 percent of health insurance. The 1985 legislature calculated the fiscal 1987 savings of going to 70 percent using total personal services, not just salaries.	\$21,114	\$21,114
PERSONAL SERVICES/Vacancy Savings he LFA current level applied 4 percent vacancy savings to total personal services while the executive recommendation does not include vacancy savings.	\$31,182	\$31,240

ISSUE	LFA Lower (Higher) than OBPP FY 88	FY 89
1. CONTRACTED SERVICES/COMPUTER PROCESSING CHARGES The LFA included county computer support payments in contracted services while the OBPP included them in Repair and Maintenance. The OBPP included \$120,000 each year for county computer support and \$20,000 each year for software development in the 37 counties that have computer systems. Therefore, there is no real difference between the OBPP and the LFA in the TOTAL funds included for county computer support. (See issues 3 and 11)	(\$140,000)	(\$140,000)
2. CONTRACTED SERVICES/COMPUTER PROCESSING CHARGES The executive recommends providing additional funds in the current level expenditure base for Senate Bill 19 functions. This bill required the Department of Revenue to develop a standardized property tax classification and appraisal notice, directed the Department to sent a revised standard property tax classification and appraisal notice to each property taxpayer whose 1986 assessment on class four property increased as a result of reappraisal by 180% or more when compared to 1985 assessments, and extended the application deadline for reduction in 1986 taxable valuation to August 1, 1986 or 15 days after the taxpayer received a revised notice of classification and appraisal, whichever was later. The LFA did not include additional funds for Senate Bill 19 in the current level budget. The Special Session III provided \$84,151 general fund for this purpose in fiscal 1987.	\$82,963	\$79,440
3. CONTRACTED SERVICES/COMPUTER PROCESSING PRODUCTS/NON-D OF A CONTRACTED SERVICES/COMPUTER PROCESSING DEVELOPMENT/NON-D OF A OBPP included a net \$20,000 per year for county software support in contracted services in addition to the funds included in the Repair and Maintenance expense category. (See issue 11)	\$25,000 (\$5,000)	\$25,000 (\$5,000)
4. CONTRACTED SERVICES/PROFESSIONAL AND CONSULTING SVCS The LFA current level budget included an additional \$30,000 in FY88 only to pay for local and area fee appraisers, a one-time expense which occurs during the reappraisal base year, and for a cost analysis needed for the appraisal manual which is being developed for the third appraisal cycle. The OBPP provided \$9,000 more in FY88 for these costs than was included in the LFA current level budget. Recurring costs included in both years of the biennium cycle by both the OBPP and the LFA are for a yearly commercial sales ratio study, professional instruction at the annual assessors' school, and contract assessment and appraisal work for Petroleum County instead of having to hire staff in that county.	\$9,000	\$0
5. CONTRACTED SERVICES/DATA ENTRY AND PRINTING The agency spent \$55,000 in other divisions for property assessment functions in these two expenditure categories. The OBPP increased 89 biennium expenditures to reflect these costs paid by other divisions in fiscal 1986. The LFA did not increase expenditures in these areas.	\$49,673	\$49,673
6. SUPPLIES/GASOLINE LFA inflation for gasoline is lower than OBPP.	\$3,707	\$2,024
7. SUPPLIES/PHOTOGRAPHIC OBPP increased the base expenditures for photographic supplies; the LFA left the expenditures at base.	\$5,107	\$5,107
8. SUPPLIES/MISCELLANEOUS The agency requested this reduction. The OBPP made the reduction, the LFA left the expenditure at base level.	(\$1,152)	(\$1,152)
9. COMMUNICATIONS/POSTAGE The agency was given a \$163,624 BASE INCREASE for postage expense in fiscal 1986 (total amount authorized by 1985 Legislature was \$231,788) and spent only \$64,440 of the base increase on postage. The base increase was due to the completion of the reappraisal cycle and the legal requirement to send arbitrary and estimated assessments by registered mail. The OBPP reduced the agency's request for postage \$12,846 while the LFA reduced the postage funding by an additional \$30,879 each year.	\$30,879	\$30,879
10. RENT/PARKING PLACES OBPP increased FY86 actual expenses to meet the agency's request for leasing land to park field staff state vehicles. The LFA left this expense at the base expenditure level (\$1,440).	\$5,280	\$5,280
11. REPAIR AND MAINTENANCE/MULTI-USER COMPUTERS OBPP included \$120,000 each year for county computer support in this expense category (see issue 1 and 3). The LFA included	\$129,000	\$119,000

County computer support in contract services. OBPP also included \$5,000 in 88 and \$5,000 in 89 for computer maintenance costs. The LFA included \$6,000 each year in this category for computer maintenance costs.

12. MAINTENANCE/TIRES AND TUBES \$5,000 \$5,000
 OBPP increased base year expenditures for tires and tubes. The LFA left this expense at the base level (\$1,057).

EQUIPMENT \$104,000 \$131,000
 differences are detailed below.

EQUIPMENT COMPARISON	-----FY 88-----		-----FY 89-----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
Vehicles	\$80,000 8	\$160,000 16	\$80,000 8	\$160,000 16
Computer Terminals (for Counties)	\$0 0	\$27,000 15	\$0 0	\$27,000 15
Office Equip (for Counties)	\$25,000	\$22,000	\$25,000	\$49,000
TOTAL	\$105,000	\$209,000	\$105,000	\$236,000

ISSUE	LFA Lower (Higher) than OBPP FY 88	FY 89
1. SUPPLIES/GASOLINE OBPP and LFA inflation rates differ.	\$265	\$135
2. SUPPLIES/MAPS AND CHARTS OBPP increased the base on this expenditure category; the LFA left at the fiscal 1986 base expenditure level.	\$2,117	\$2,117
3. REPAIR AND MAINTENANCE/OFFICE EQUIPMENT OBPP did not recommend the requested adjustment; the LFA included the adjustment for office equipment maintenance costs.	(\$992)	(\$992)
4. REPAIR AND MAINTENANCE/BUILDING AND GROUNDS OBPP deleted this expense: the LFA maintained the base expenditure on this expenditure item.	(\$75)	(\$75)

EQUIPMENT COMPARISON	-----FY 88-----		-----FY 89-----	
	LFA	EXECUTIVE	LFA	EXECUTIVE
Office Equipment (calculators, chairs, filing cabinets)	\$0 0	\$0 0	\$0 0	\$500
Filing Cabinet	\$223 1	\$0 0	\$223 1	\$0 0
Calculator	\$150 1	\$0 0	\$150 1	\$0 0
Vehicle	\$8,652 1	\$8,652 1	\$0 0	\$0 0
TOTAL	\$9,025	\$8,652	\$373	\$500

ISSUE	LFA Lower (Higher) than OBPP FY 88	FY 89
1. CONTRACTED SERVICES/CONSULT & PROF SERVICES The executive recommends increasing base expenditures for expert fees by \$1,300 each year. The LFA current level budget continued base year expenditures.	\$1,300	\$1,300
2. CONTRACTED SERVICES/PRINTING The executive recommends the agency's request to reduce base year printing costs by \$5,337 each year of the 89 biennium. The LFA reduced base printing costs by an additional \$2500 each year of the biennium.	\$2,500	\$2,500
3. CONTRACTED SERVICES/PRIVATE LEGAL COUNSEL The executive increases private legal counsel costs each year of the 1989 biennium while the LFA current level maintained base year expenditures.	\$300	\$300
4. SUPPLIES/GASOLINE The executive recommended base expenditures for this category while the LFA current level increased base costs \$1,600 each year.	(\$1,600)	(\$1,600)
5. COMMUNICATIONS/POSTAGE The executive recommended base year expenditures for this category; the agency requested a \$2,487 base year expenditure reduction. The LFA current level budget reduced base year expenditures \$10,233, or \$7,746 more than the agency requested.	\$10,233	\$10,233
6. COMMUNICATIONS/TELEPHONE ADD. MOVE. CHANGE The executive included this expenditure in its recommendation. The LFA current level removed it from the budget.	\$1,611	\$1,611
7. COMMUNICATIONS/LONG DISTANCE CIRCUITS The executive increased this expenditure category \$500 each year. The agency requested base year expenditures, which is what is included in the LFA current level budget.	\$500	\$500
8. REPAIR AND MAINTENANCE/MULTI-USER COMPUTERS The agency requested this reduction; this can be removed from the LFA current level budget.	(\$6,100)	(\$6,100)

EQUIPMENT COMPARISON

	FY 88		FY 89	
	LFA	EXECUTIVE	LFA	EXECUTIVE
File Cabinets	\$0 0	\$0 0	\$296 2	\$296 2
Bookcase	\$0 0	\$0 0	\$136 1	\$136 1
Calculator	\$220 2	\$220 2	\$0 0	\$0 0
Dictaphone	\$200 1	\$200 1	\$0 0	\$0 0
Microfiche Reader	\$280 1	\$280 1	\$0 0	\$0 0
Chairs	\$336 2	\$336 2	\$0 0	\$0 0
TOTAL	\$1,036	\$1,036	\$432	\$432

MOTOR FUELS

05-Feb-87

ISSUE	LFA Lower (Higher) than OBpp	
	FY 88	FY 89
CONTRACTED SERVICES/Computer Processing Charges	\$28,214	\$37,020
The executive recommends the agency's request for computer processing charges for the 1989 biennium. The LFA current level includes less because information provided by the agency during the budget analysis was interpreted to mean the gas tax refund processing was not going to be included with the automated system. It now appears the automated system will include this function.		

EQUIPMENT COMPARISON	-----FY 88-----		-----FY 89-----		
	LFA	EXECUTIVE	LFA	EXECUTIVE	
Vehicle	\$8,620 1	\$8,952 1	\$0 0	\$0 0	
Calculator	\$0 0	\$0 0	\$0 0	\$300 3	
TOTAL	\$8,620	\$8,952	\$0	\$300	
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DEPARTMENT OF REVENUE
FTE CHANGES FY87 TO FY88 - 89

05-Feb-87

	DIR OFFICE	DIR OFC LEGAL	CENT SVCS	RESEARCH & INFO	I & E ADMIN	I & E INVESTIG	I & E CHLD SUP	I & E MEDICAID	I & E POKER
FY87 HB500 AUTHORIZED REDUCTION FOR 5%/PAY CUT	7.50	0.00	37.27	51.50	10.00	13.50	54.00	4.00	0.00
	-0.50	-1.00	-2.00	-3.85	0.00	0.00	0.00	-2.45	0.00
FY87 CURRENT LEVEL SUB	7.00	-1.00	35.27	47.65	10.00	13.50	54.00	1.55	0.00
FY 88 & 89 CURRENT LEVEL	8.50	6.50	35.27	52.50	3.00	17.00	41.00	0.00	4.00
DIFFERENCE 88/89 LESS 87	1.50	7.50	0.00	4.85	-7.00	3.50	-13.00	-1.55	4.00
	=====	=====	=====	=====	=====	=====	=====	=====	=====
CAUSES FOR DIFFERENCE:									
(1) "SUNSET" FTE	0.00	0.00	0.00	-4.00	0.00	0.00	-13.00	0.00	0.00
(2) FURTHER 5% CUT	0.00	0.00	0.00	0.15	0.00	0.00	0.00	-0.55	0.00
(3) TRANSFERS IN/(OUT)	1.50	7.50	0.00	10.00	-7.00	3.50	0.00	-1.00	0.00
(4) OTHER AUTHORIZATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00
(5) LFA REDUCTION	0.00	0.00	0.00	-1.00	0.00	0.00	0.00	0.00	0.00
TOTAL	1.50	7.50	0.00	4.85	-7.00	3.50	-13.00	-1.55	4.00
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	INCOME TAX	NAT RES & CORP TAX	PA ASSESS.	PA APP&NEA	PA HELENA	PA ADMIN	MISC TAX	MOTOR FUELS	TOTAL DEPT
FY87 HB500 AUTHORIZED REDUCTION FOR 5%/PAY CUT	95.15	37.66	0.00	409.40	14.00	18.00	19.32	27.17	798.47
	-2.22	-0.50	0.00	-22.28	0.00	-0.50	-2.31	-1.41	-39.02
FY87 CURRENT LEVEL SUB	92.93	37.16	0.00	387.12	14.00	17.50	17.01	25.76	759.45
FY 88 & 89 CURRENT LEVEL	90.65	33.00	35.70	334.05	11.00	13.50	0.00	25.00	710.67
DIFFERENCE 88/89 LESS 87	-2.28	-4.16	35.70	-53.07	-3.00	-4.00	-17.01	-0.76	-48.78
	=====	=====	=====	=====	=====	=====	=====	=====	=====
CAUSES FOR DIFFERENCE:									
(1) "SUNSET" FTE	-13.50	-2.00	0.00	0.00	0.00	0.00	0.00	0.00	-32.50
(2) FURTHER 5% CUT	-0.28	0.00	0.00	-18.17	0.00	0.00	-0.34	-0.09	-19.58
(3) TRANSFERS IN/(OUT)	11.50	-2.16	35.70	-34.90	-3.00	-4.00	-16.67	-0.67	0.30
(4) OTHER AUTHORIZATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00
(5) LFA REDUCTION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.00
TOTAL	-2.28	-4.16	35.70	-53.07	-3.00	-4.00	-17.01	-0.76	-48.78
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INVESTIGATIONS AND ENFORCEMENT - VIDEO POKER

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	7.00	4.00	4.00
Personal Services	\$ 95,695	\$103,144	\$103,257
Operating Expenses	24,173	24,340	24,369
Equipment	12,919	-0-	-0-
Total Exp. and Funding	<u>\$132,787</u>	<u>\$127,484</u>	<u>\$127,626</u>

The video poker control subprogram is responsible for the control and regulation of Montana's video poker industry. The program examines and approves machines for operation in the state, licenses machines, and collects license fees. License fee monies are distributed to local and state governments as required by statute. The program has administrative responsibilities which include: conducting hearings concerning licenses and violations of laws and rules, promulgating administrative rules, and recommending legislation concerning video draw poker machines.

The current level budget funds 4.0 FTE as requested by the agency. Personal services increase from fiscal 1986 because the subprogram experienced vacancy savings. Operating expenses reflect the agency's request.

The current level budget funds this program from gambling license fees assessed video poker machine owners. The current law, Section 23-5-612, MCA, limits the administrative allocation of the gambling license fee revenue to 3 percent in the 1989 biennium.

LIQUOR DIVISION

The Liquor Division administers the statutes relating to the control, sale and distribution of alcoholic beverages and the licensing of manufacturers, wholesalers and retailers of alcoholic beverages.

For the past several sessions, the legislature has not appropriated the Liquor Division's budget by specific line-item, but has given authority in the general appropriations act for the division not to exceed a specific operating limit and to return a specified profit level.

The general appropriations act of the Forty-Ninth Legislature (House Bill 500) directed the Liquor Division to limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales. Operational expenses did not include product costs, freight charges, expenses allocable to other divisions, or licensing bureau expenses. In fiscal 1986, the Liquor Division incurred \$5,764,641 of qualifying operational expenses, or 15.18 percent of net sales.

House Bill 500 also directed the Liquor Division to attempt to return as profit at least 13 percent of net sales. In fiscal 1986, the division earned \$4,698,814 net income on \$37,974,543 of net sales, or 12.37 percent.

The Child Support Enforcement subprogram was created for the purpose of establishing, enforcing, and collecting support obligations owed by absent parents to their children and the spouses with whom such children are living. The child support enforcement subprogram generates revenue from three sources: (1) recovered AFDC funds originally paid out by the State of Montana, (2) federal incentives paid to states for operating a cost effective program, and (3) fees generated in non-AFDC cases.

The current level budget provides for 41.0 FTE. This is 13.0 less than authorized by the legislature in fiscal 1986 as the "sunset" FTE positions are removed from the current level budget.

Base operating expenses were increased \$63,400 for computer processing costs to operate the child support computer system, which is expected to come on-line mid-year fiscal 1987, and \$1,941 for increased rent. Base operating expenses were decreased \$9,333 for estimated operating expenses relating to the sunset FTE removed from the current level budget.

Equipment expenditures include \$8,625 in fiscal 1988 to purchase a replacement vehicle.

Non-operating costs include pass-thru funds to local governments to reimburse them for child support enforcement activities at the local level.

INVESTIGATIONS AND ENFORCEMENT -- MEDICAID FRAUD

Budget Item	Actual	Current Level	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	4.00	0.00	0.00
Personal Services	\$113,232	\$ -0-	\$ -0-
Operating Expenses	23,190	-0-	-0-
Equipment	895	-0-	-0-
Total Expenditures	<u>\$137,317</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Fund Sources			
General Fund	\$ 33,559	\$ -0-	\$ -0-
Federal and Other	103,568	-0-	-0-
Proprietary Funds	190	-0-	-0-
Total Funds	<u>\$137,317</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

This program was eliminated by the agency in fiscal 1987 and a portion of its function was combined with the investigations subprogram.

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2-6-87

General Fund	Fiscal 1986		Proprietary	Total	General Fund	Fiscal 1987		Proprietary	Total
	State Special Revenue	Federal Special Revenue				State Special Revenue	Federal Special Revenue		
HIGHWAY TRAFFIC SAFETY									
1. Operations									
	70,247	1,485,698		1,555,945		67,156	1,480,936		1,548,092
a. Audit									
	1,219	1,218		2,437					
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Total	71,466	1,486,916		1,558,382		67,156	1,480,936		1,548,092
BOARD OF CRIME CONTROL									
1. Operations									
	483,905	80,929		564,834	461,780		82,500		544,280
a. Audit									
	8,245	1,571		9,816					
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Total	492,150	82,500		574,650	461,780		82,500		544,280
DEPARTMENT OF REVENUE									
1. Director's Office									
a. Operations									
	265,340	83,941	2,836	352,117	236,425	86,856		2,836	326,117
b. Audit									
	70,000	5,000	24,750	99,750					
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2. Central Services		5,000		875,973	819,810		5,000		824,810
	870,973								
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3. Research and Information Division			319,178	1,276,711	914,298			319,733	1,234,031
	957,533								
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4. Legal and Investigation Program		1,429,378	337,212	2,580,032	753,903		1,397,529	328,870	2,480,302
	813,142								
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5. Income Tax Division				2,792,265	2,568,878	6,844			2,575,722
	2,785,839	6,426							
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6. Natural Resources and Corporation Tax		141,572		1,439,219	1,230,445	55,236	139,338		1,425,019
	1,241,059	56,588							
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7. Miscellaneous Tax				538,843	393,102	62,162			455,264
	479,429	68,384							
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8. Motor Fuel Division				713,013		655,957			655,957
	713,013								
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9. Property Assessment Division				11,252,843	9,958,174				9,958,174
	11,252,843								
a. Equipment				193,670					
	193,670								
b. Airline Litigation				120,000					
	120,000								
c. Property Tax Reappraisal					81,151				84,151
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Total	19,041,158	933,352	683,976	22,234,436	16,959,186	867,055	1,541,867	651,439	20,019,547

Item 9a is a biennial appropriation. Item 9b is a biennial appropriation to deal with legal issues arising under federal nondiscriminatory taxation acts such as the Tax Equity and Fiscal Responsibility Act, the Railroad Revitalization and Regulatory Reform Act, and any subsequent federal legislation that directs the state to take a nondiscriminatory posture in the taxation of entities doing business within the state. This appropriation may be used only for attorney fees, expert witnesses, and extraordinary expenses associated solely with resolving disputes related to such legal issues.

Liquor Division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1987 biennium, the Division shall attempt to return at least 13 percent of net sales. Net sales are gross sales less discounts and all taxes collected. The Division shall limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales. Operational expenses may not include product costs, freight charges, or expenses allocable to other divisions or licensing bureau expenses.

The Division retains full authority to determine store operating hours and the number and location of stores and employees. Nonprofitable or marginally profitable state stores shall be closed or converted to agency stores in an orderly manner. Agency stores shall be closed if the Division considers them marginally profitable and other state stores or agencies are located within a reasonable distance. The Division is directed to implement the recommendations of the Revenue Oversight Committee dated June 19, 1986, with respect to Liquor Division Recovery, provided the Department shall hold timely public hearings prior to closing any state store or agency and prior to implementing a price restructuring.

The appropriation for item 4 includes 13 FTE support staff added to the Child Support Bureau. The agency is prohibited from including these 13 FTE in its current level budget request presented to the 1987 Legislature.

The appropriation for the Income Tax Division includes the additional 19 FTE added. These FTE include 4.5 FTE systems development positions, 6.0 FTE audit staff, and 8.5 FTE collection staff. The agency is prohibited from including these 19 FTE in its current level budget request presented to the 1987 Legislature.

The Department may, through the use of program transfer authority, fund the 7 FTE deleted from the Income Tax Division by House Committee of the Whole Amendment during Special Session III.

The appropriation for item 6 includes 2 FTE added to the Natural Resources and Corporation Tax Division. These FTE include a 1 FTE natural resources tax auditor and a 1 FTE corporate tax auditor. The agency is prohibited from including these 2 FTE in its current level budget request presented to the 1987 Legislature.

Item 9c is to fund the action taken in Senate Bill 19, Special Session III. If Senate Bill 19 does not pass, these funds are to revert to the general fund.