

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

#### SUBCOMMITTEE ON GENERAL GOVERNMENT AND HIGHWAYS

Call to Order: By Chairman Quilici, on January 31, 1989, at 8:06 a.m.

#### ROLL CALL

Members Present: All members were present.

Members Excused: None.

Members Absent: None.

Staff Present: Pam Joehler, LFA  
Mike Walsh, OBPP  
Mary Liedle, secretary

Announcements/Discussion: Rep. Quilici announced the committee would finish the hearing on the Department of Revenue and then begin executive action.

#### HEARING ON DEPARTMENT OF REVENUE

Tape No. 41A

#### Testifying Proponents and Who They Represent:

Jack Ellery, Department of Revenue  
Jon Meredith, Department of Revenue  
Gordon Morris, Montana Association of Counties  
Ken Morrison, Department of Revenue

#### Testifying Opponents and Who They Represent:

None.

Proponent Testimony: (41A 1.38) Gordon Morris, Executive Director Montana Association of Counties, spoke in favor of the Department of Revenue budget. Mr. Morris called attention to three areas of concern to Montana County Commissioners. First, the commissioners supported the department's request to the prior administration for 100% state funding for assessors and deputy assessors in the 1991 biennium. This is a critical issue from the standpoint of building the necessary partnership between the state and county. Secondly, the state's support of computer services through computer payments to counties is also essential. Finally, the Montana Association of Counties supports further automation of appraisal offices. The technical assistance is necessary in respect to the lack of expertise in counties

when it comes to procurement of both hardware and software associated with computers. Property appraisal and taxation is both a concern of the counties and the state as well as the department. (See exhibit 1)

#### CENTRALIZED SERVICES DIVISION

(41A 3.56) Jack Ellery discussed a proposal by the State Auditor to transfer bad debt collection to the State Auditor's Office. In the past several weeks a task force has been formed to study the feasibility of that. There is a recommendation to make that transfer. Both agencies are in favor of the transfer. The State Auditor is implementing an enhanced warrant writing system. The concept is that the auditor has greater coverage for the state as far as offsetting against debts owed to the state through the warrant writing process. Currently in the Department of Revenue, the only methodology for doing that is through tax offsetting. There will be some legislation introduced by Rep. Grady to transfer that function to the State Auditor's Office.

Questions From Subcommittee Members: (41A 6.06) Rep. Quilici:  
Would any FTE's transfer with it?

Jack Ellery said yes, the Department of Revenue would transfer the 3 FTE currently dedicated to that function.

#### CHILD SUPPORT ENFORCEMENT PROGRAM

(41A 6.41) Jack Ellery discussed the possibility of transferring this program to SRS, the Department of Family Services or the Attorney General's Office.

(41A 7.51) Jon Meredith discussed four senate bills affecting child support enforcement. Two of the bills were introduced by the Department of Revenue, one was introduced through the Women's Lobbyist Fund and the other was introduced through the Governor's interim joint subcommittee on welfare reform. The four bills are SB22 concerned with central registry, SB42 which is a general revision, SB129 which deals primarily with immediate income withholding and SB177 which deals with administrative paternity. Rep. Cobb will be introducing a bill having to do with medical support enforcement. (See exhibit 2)

#### LIQUOR DIVISION

Presentation and Opening Statement: Pam Joehler told the committee in the last biennium the division returned a profit of 11% compared with the 10% required. The operating costs were slightly higher than the 15% allowed at 15.2%. Pam proposed that boilerplate language such as that used in previous bienniums be inserted in the bill. (See exhibit 3)

Proponent Testimony:

(41A 10.19) Jack Ellery said the agency concurs with the LFA's recommendation to use boilerplate language that has been used in past years. The language to be used states: "Liquor division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1991 biennium, the division shall attempt to return at least 10% 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% of net sales. Operational expenses may not include product costs, freight charges or expenses allocable to other divisions or licensing bureau expenses.

**INCOME TAX DIVISION**

(41A 15.06) Jack Ellery presented a background of the division. The income and miscellaneous tax division administers personal income, withholding, miscellaneous, inheritance, and accommodations tax. This includes partnership returns, fiduciary trust returns, estimated income tax, filing of extensions and elderly homeowner credits. It contributes approximately \$200,000,000 to the state annually. 58% of that is general fund, 31% is for school equalization and 11% is for the long range building program. There are two budget issues in this program. 1) The first is the LFA recommendation to eliminate 3 FTE from the current level. All of these vacant FTE are a result of a reorganization which occurred in FY88. Position 6045 was originally a withholding tax supervisor. The duties of that position were assumed through reorganization with the business tax section. The position was then subsequently reclassified to a field auditor position. The department was in the process of filling this position when Governor Stephens' hiring freeze was initiated. The bottom line is that historically positions of this classification have returned approximately a 10-1 return of cost to revenue to the state. Eliminating this position would result in a potential revenue loss of approximately \$200,000. Position 6147 is an inheritance tax examiner. This is perhaps the most critical need the department has as far as the elimination of FTE. The inheritance tax bureau generates between 8 and 10 million dollars per year from approximately 5000 filings. Each of these 5000 estates must file an inheritance tax return which must be processed and audited before the heirs of the estate can receive a transfer of the property. Additionally, that same process has to occur before any state revenues are collected. As a result, backlogs in this bureau have the dual consequence of delaying the timely transfer of state property and postponing collection of state taxes. Currently there is one position to perform audits and assess taxes. Having only one position like this places the agency in a

precarious position. The department has requested a hiring exception to the hiring freeze which has been approved by Governor Stephens. Position 1648 was part of the reorganization and was reclassified to an Administrative Officer and is currently a filled position. All of the original modified requests in the Income Tax Division are being withdrawn. There were four modified requests included in the Schwinden proposal and they have been removed by the current administration.

Questions From Subcommittee Members: (41A 21.03) Rep. Quilici:  
Did you say you transferred this withholding tax supervisor to a field auditor?

Jack Ellery said the duties of the withholding tax supervisor were assumed by another supervisor in the business tax section which is a result of the reorganization the department went through in FY88. They took the position that was withholding and converted it to a revenue generating position.

(41A 22.59) Sen. Tveit: Is it true that there were three field auditors in the motor fuel that went into the income tax division?

Pam Joehler said the department moved three motor fuels auditors from the Motor Fuels Tax Division into the Income Tax Division effective with FY90.

(41A 24.28) Rep. Swysgood: These 3 FTE that were transferred from the Motor Fuel Tax Division were funded by highway funds and they were used in motor fuel tax. Now you've moved them into the Income and Miscellaneous Tax Division. Are they still going to be funded by highway tax funds?

Jack Ellery responded yes they are and they are also going to perform more motor fuels audits than they had previously.

(41A 25.06) Rep. Swysgood: If they're going to review more motor fuel audits, why would they be transferred from the Motor Fuel Tax into the Income Tax? Is there a possibility that they could be doing other things than motor fuel tax audits?

Jack Ellery said that what the department has done is functionalize the auditing program. By doing that it gives them the flexibility to not only administer the 17 taxes in the Income Tax Division but additionally the Motor Fuels Tax. It also provides convenience to taxpayers. They can go out on one audit now and do a motor fuels audit, a withholding audit and if there's reason even an income tax audit. So they get more mileage out of having a functionalized audit program in the Income Tax Division than they do specializing and sending three auditors out in the

field to do motor fuels audits.

(41A 27.09) Rep. Swysgood: My problem exists with the fact that these people are paid with gas tax money and when they don't do work that's directly related to that source of income it raises some question as to what this money should be used for. We are deviating from an intent by the people when they increase the gas tax for highway use and things related to highway uses and now it's being filtered over into other areas that might now have any direct relationship to a highway department and the intent of that tax.

(41A 28.14) Sen. Tveit: You said three positions were vacant in FY88. Were they not even hired then?

Jack Ellery said the three positions that were vacant have nothing to do with the auditor positions that Rep. Swysgood is referring to.

#### ACCOMMODATIONS TAX PROGRAM

(41A 29.28) Jack Ellery said the LFA current level budget allows the department less in each of the coming two years than FY88 actual expenditures and does not allow for start up costs incurred in FY87. The department is requesting \$6000 in printing each year of the biennium. This would account for those costs which were incurred in FY87 but not in FY88 but are ongoing expenses. The agency is also requesting \$4650 in computer operations each year and \$5100 to make modifications to the system. The modifications would be made for two purposes: the Department of Commerce has requested additional management coordinating capabilities and this would allow accommodations systems to electronically talk to accounts receivable systems.

#### Questions From Subcommittee Members: (41A 34.02) Sen. Regan:

You've got a budget of over \$3 million, isn't this nitpicking?

Jack Ellery said this is what they believe it takes to run this program. The department is not making a great deal of issues but they are presenting the requests they can justify.

(41A 35.34) Rep. Swysgood: Is the Accommodations Tax budget monies taken from the tax itself?

Jack Ellery said originally the program was funded with 2% of the collections via a statutory appropriation. They are now going to an actual legislative appropriation. The funding does come from the accommodations tax but it does not represent the 2%.

(41A 36.09) Sen. Regan: Did they pay back the money that was borrowed to start up the program?

Jack Ellery said yes.

#### NATURAL RESOURCE PROGRAM

(41A 37.11) Jack Ellery gave a brief background of the program and presented the budget issues the department has with regard to the program. This program administers 19 different taxes and also administers state and federal royalty. The department has two budget issues. 1) The first issue involves membership in the multi-state tax commission which is a compact of states that provide a uniform audit program. Montana has belonged for 17 years and has received many benefits. This is a very tax effective program for the state, returning \$6.00 for every \$1.00. This commission helps in lobbying efforts and protects the state's rights to administer tax laws. The department is requesting an increase as a result of a freeze that has been in place since FY85. The increase would amount to \$15,000 in FY90 and \$20,000 in FY91. (See exhibit 4) 2) The second issue involves a clerical position proposed to be eliminated in the Cobb motion. The clerical position was held open for forced vacancy savings. This, however, is a critical position as the program has 31 professional staff and only 4 clerical support positions.

Questions From Subcommittee Members: (41A 43.33) Rep. Swysgood:  
How long has that position been vacant?

Jack Ellery deferred the question to Jerry Foster, the division administrator. Mr. Foster said the position has been vacant since a year ago September. The reason it was open was strictly because the budget was inadequate and had to be used for vacancy savings. It was filled for approximately 120 days the year before. It was a grade 11. It has since been downgraded from an 11 to a grade 6. If it could be filled at a grade 6 it would still be a substantial savings to the state.

#### MOTOR FUELS TAX DIVISION

(41A 45.27) Jack Ellery said the department has no issues at all in this division.

#### PROPERTY ASSESSMENT DIVISION

(41B 1.12) Ken Morrison, Administrator of the Property Assessment Division presented an overview of the division. This division is the largest in the Department of Revenue, with approximately 400 employees. These employees appraise and assess all taxable property in the state. The division is organized into 4 programs: appraisal and assessment; industrial appraisal; inter-county property appraisal; and support services. (See exhibit 5) Mr. Morrison also presented the committee with a graph of the division. (See

exhibit 6)

#### ELECTED ASSESSORS AND DEPUTIES

Ken Morrison discussed the issues within the division. The first deals with county assessors' health insurance. The executive budget prepared by the Schwinden administration eliminated funding for payment of health insurance for county assessors. The Stephens administration is proposing to put the money back in for health insurance as was proposed by the LFA. The county assessors are elected officials. Last session assessors and their deputies were funded at approximately 70% by the state and the other 30% was the responsibility of the local governments. Ken Nordtvedt is suggesting that an 85% funding level would be appropriate. Another issue is county computer payments. The executive budget prepared by the Schwinden administration had \$145,000 and the Stephens budget has \$245,000 for county computer money. The LFA proposal is for \$80,000 and that would take them to the level they had for FY89. In FY88 the agency actually spent \$140,000 for county computers. This is something the counties have been advocating in the last two years.

#### APPRAISERS AND OTHER ASSESSOR STAFF

The agency is requesting additional funding for the transition to an automated system. The agency is in the process of putting in an on-line computer system to all the appraisal offices in the state. That system is scheduled to be implemented beginning in June or July of this year. They anticipate it will take through November to get all 56 counties on and all the data converted from the old system to the new system. An additional \$70,000 is needed to keep the old system running until the new system is fully operational. The department is also requesting increases in operating expenses for filming of maps and microfilming of county records and for gasoline. There was no expenditure in the base year FY88 for filming of maps so the LFA did not recommend the funds for FY90 or FY91. Allowing the department to microfilm county records would help with storage problems. FY88 was an abnormally low year for the use of vehicles and that is the reason for the request for additional gasoline money. In the area of equipment, the LFA has recommended fewer vehicle replacements but has funded some furniture for the computers that are going out into the field. The department urges the adoption of the LFA budget in this area.

The Schwinden administration had prepared a modification reducing staffing due to the plan to eliminate property tax. The new administration is not continuing with the plan and therefore, the agency needs to withdraw the modification.

A major item for this program involves the printing of

manuals for reappraisal work. The funding needed was left out of the LFA budget due to a misunderstanding. They have reached an agreement that it is appropriate to put some funds in for printing manuals. The LFA budget should be increased by \$78,000 in FY90 for these manuals and \$10,000 in FY91 for replacement pages and manuals.

There is an issue in the area of travel. Travel will be necessary for training with the new system. The department is concerned with training people in the field to properly use the system. The difference between the LFA and executive budgets in this area is that the LFA is lower by \$29,000 in FY90 and \$30,000 in FY91.

Finally, there are issues in this program with regard to personnel. Rep. Cobb's motion eliminated 10 positions (8106, 8261, 8398, 8522, 8534, 8905, 8910, 90028 and 90063). The department agrees with the determination for three positions (8522, 8528 and 8905). The agency is requesting that the subcommittee reinstate two positions (90063 and 8910). One of the positions is currently filled and the department plans to fill the other. One is an office clerk, grade 6. The other is a position granted by the 1987 legislature to work on the automation of agricultural land. The final five positions were previously combined with other positions and the positions were eliminated from the department's records. Therefore, eliminating these positions would not reduce FTE. (See exhibit 7)

Questions From Subcommittee Members: (41B 21.59) Rep. Swysgood:  
Who do you train, the assessors or the staff?

Ken Morrison said it will primarily be used by the appraisers and their staff but will also train staff in the assessment area.

(41B 23.40) Rep. Quilici: What is the average grade of the new appraisers you hire?

Ken Morrison said the average is a grade 12.

(41B 31.37) Rep. Nisbet: According to what I'm looking at here, those two positions would only make a .75. How did you get a whole?

Ken Morrison said the two positions which equal .75 were combined with a .25 FTE to form a whole position.

(41B 33.39) Rep. Swysgood: I see position 90063 has been filled since November 28. How did that position appear on Rep. Cobb's list if it was filled before December?

Pam Joehler said she would check on that because Rep. Cobb didn't target any positions that were not vacant as of mid-December, 1988.



(41B 35.32) Rep. Swysgood: This bringing together of the masses to create a whole being in Gallatin county, before that became a whole person, what was there?

Randy Wilke, program manager, answered saying in Gallatin county there were people in the appraisal office trying to maintain the records and going back and forth. The appraisal offices are not in the courthouse. The person terminated employment. They had been down in terms of staff in the appraisal office by a clerk all along. They were confronted with trying to find another resource to pick up the slack and decided to try and take an individual who was filling a motor vehicle position and have her expand her duties to take care of ownership information as well. She proved to be a very capable individual.

(41B 37.48) Rep. Swysgood: If she was a motor vehicle person, how much of a person was she?

Randy Wilke said she was .25 at the time.

#### DISPOSITION OF DEPARTMENT OF REVENUE

Tape No. 42A

Motion: Rep. Swysgood moved to accept the LFA current level budget for all programs.

Amendments, Discussion, and Votes: The motion PASSED unanimously.

#### CENTRALIZED SERVICES

Motion: Sen. Regan moved to reinstate position 90202 at \$9672 in FY90 and \$9681 in FY91.

Discussion: Sen. Regan said that in the agency's discussion of this position they said it is normally a grade 6 but they were able to hire at a lower grade. She questioned how that squares with the classification system. She asked if you hire someone to perform duties that are assigned grade 6 how can you pay them at a lower level. Don Bentson responded that the classification system is not perfect. Sen. Regan said she hoped the agency would not take advantage of people by asking them to do grade 6 duties and then pay them at a grade 4.

Amendments, Discussion, and Votes: The motion PASSED with Rep. Swysgood and Sen. Tveit voting nay.

#### DATA PROCESSING DIVISION

Motion: Rep. Nisbet moved to reinstate 1.67 FTE at \$25,800 each year.

Discussion: Pam Joehler said FTE had been removed from the current level because they were funded by supplemental funding. This 1.67 FTE was removed in error.

Amendments, Discussion, and Votes: The motion PASSED unanimously.

Motion: Sen. Regan moved to approve the \$6750 request for printing in FY91.

Discussion: There was discussion regarding the reason this was not included in the current level budget. The funding for the biennial report was not included in the current level due to an oversight.

Amendments, Discussion, and Votes: The motion PASSED unanimously.

Discussion: Rep. Nisbet asked Pam Joehler to go over the ISD subscription issue again. Pam Joehler said the department indicated that they had originally asked for more for the ISD subscription. That is what they pay to be hooked up to the mainframe. The procedure Pam used was that if the legislature had authorized the purchase of the equipment or had authorized the subscription fees last time, it would be ok to include the fees for the upcoming biennium because of legislative intent. The department originally asked for a higher amount than they indicated they needed during the hearing. They said if they go with the equipment they were authorized to purchase in FY88 and FY89 then they would revise the request to \$33,120 per year. That is \$22,560 more than is included in the LFA current level. Pam made a reduction in what they spent in FY88 because they overspent their operating budget.

Rep. Swysgood asked if the economist position recommended for deletion by the Cobb motion is so critical why it has been left open for a year. Jack Ellery said if they filled it with a permanent employee and the domino effect takes place there is no place to put that person because the deputy director goes to the bureau chief etc. but when the economist tried to go back to the economist position there would already be a person in the position.

No Action Was Taken on these issues.

#### INCOME TAX DIVISION

Motion: Sen. Regan moved to reinstate the inheritance tax examiner position.

Discussion: Rep. Quilici asked if Jack Ellery had stated this position would bring in about 8 to 10 million dollars per year. Jack Ellery said that is correct, the bureau brings in that much. Rep. Swysgood asked how many positions are

currently doing this. Jack Ellery said there is one inheritance tax examiner position currently filled and there are two technical people supporting that activity. Rep. Quilici asked if that one person was doing all the audit returns. Jack Ellery said yes and there are about 5000 of them per year.

Amendments, Discussion, and Votes: The motion PASSED unanimously.

Motion: Rep. Swysgood moved to approve the accommodation tax operations at \$11,500 each year.

Discussion: Pam Joehler said this would make the total operating costs \$28,000 to \$29,000 per year compared to the \$51,000 that was requested initially. Rep. Quilici asked if this would be funded from the accommodations tax. Jack Ellery said it does come from the accommodations tax receipts but they are not taking 2% of the receipts. In other words, this is a general fund budget like any other budget.

Amendments, Discussion, and Votes: The motion PASSED unanimously.

#### NATURAL RESOURCES PROGRAM

Motion: Sen. Regan moved to restore the clerical position deleted by the Cobb motion at \$20,762 in FY90 and \$20,778 in FY91.

Discussion: Rep. Quilici asked if this was the clerical position that was one of four to help support 31 professional staff. The agency indicated that was correct. It was noted that the position is filled.

Amendments, Discussion, and Votes: The motion PASSED with Rep. Swysgood voting nay.

Motion: Rep. Nisbet moved to approve the Multi-State Tax Commission dues at \$15,214 in FY90 and \$20,659 in FY91.

Discussion: Sen. Tveit asked if this request for increase was based on the assumption that the dues are going to go up. Jack Ellery said he provided the committee a letter from the Multi-State Tax Commission that laid out what the dues will be each year so the rates are going up by \$15,214 in FY90 and \$20,659 in FY91. Sen. Tveit asks what happens if they aren't paid. Jack Ellery said that Montana will have diminished audit coverage across the United States. We would potentially lose revenue.

Amendments, Discussion, and Votes: The motion PASSED unanimously.

#### MOTOR FUELS DIVISION

There were no issues in this division.

**LIQUOR DIVISION**

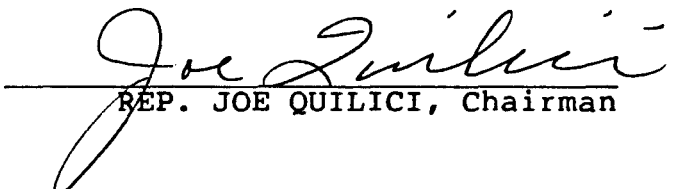
Motion: Rep. Swysgood moved to approve language stating "Liquor division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1991 biennium, the division shall attempt to return at least 10% of net sales. 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% of net sales. Operational expenses may not include product costs, freight charges or expenses allocable to other divisions or licensing bureau expenses."

Discussion: Rep. Quilici commented that this language has been included the past several sessions.

Amendments, Discussion, and Votes: The motion PASSED unanimously.

**ADJOURNMENT**

Adjournment At: 11:01 a.m.

  
REP. JOE QUILICI, Chairman

JQ/ml

2622.min

# DAILY ROLL CALL

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

DATE 1/31/89

NAME	PRESENT	ABSENT	EXCUSED
Representative Joe Quilici, Chair	✓		
Representative Jerry Nisbet	✓		
Representative Chuck Swysgood	✓		
Senator Larry Tveit, Vice Chair	✓		
Senator Pat Regan	✓		
Senator Lawrence Stimatz		✓	

MONTANA  
ASSOCIATION OF  
COUNTIES

1802 11th Avenue  
Helena, Montana 59601  
(406) 442-5209

TO: Representative Joe Quilici, Chairman  
General Government and Highways  
FROM: *Gordon Morris*  
Gordon Morris, Executive Director  
RE: Department of Revenue Budget  
DATE: January 30, 1989

As the Committee begins its work on the Department of Revenue budget for the next biennium, I wish to call attention to three issues of concern to Montana County Commissioners.

1. We supported the Departments request to the prior administration for 100 percent state funding for assessors and deputy assessors in the 1991 biennium. Commissioners continue to support this position. Let me assure the members that this is a critical issue from the standpoint of building the necessary partnership between the state and county subdivisions thereof.

The dollar amounts, on top of your mounting concern for the state general fund pale in comparison to school funding issues, but size is relative. We must work together to clarify the role, duties and responsibilities of these "agents of the state" and would committ to this joint goal in the face of your support for full funding.

2. The states support of computer services through computer payments to counties is also essential. In many instances, state support was instrumental in purchasing, installing, and training personnel in computer usage. This effort is a joint undertaking and should be approached as a minimal display of cooperation in the face of the obvious gains for both the state and the counties with enhanced computer capabilities.

3. Finally, MACo supports further automation of appraisal offices. The technical assistance is necessary in respect to the lack of expertise in counties when it comes to procurement of both hardware and software associated with computers. Property appraisal and taxation is both a concern of the counties and the state as well as the Department. This effort done cooperatively, would achieve much in the way of improvements in property valuations and assessments.

In closing, I can only suggest how significant these issues are to commissioners. Your support, in partnership with MACo, in acknowledging the issues and accepting the state responsibility will instill new confidence in state and local government relations.

GM/mrp

MACo

DATE 1-31-89

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[illegible]

SB-129 Immediate Income Withholding/Mandatory Guidelines/Fees										SB-129 Immediate IW/Mandatory Guidelines/Fees									
*** FTEs and COSTS ***										*** REVENUE/PROFIT(LOSS) ***									
SFY 1990					SFY 1991					SFY 1990					SFY 1991				
NUMBER					COST					NUMBER					COST				
NEW FTEs NEEDED:										ADDED CASES:									
Increase in Caseload:										% OF CASES WITH COLLECTIONS:									
CASEWORK FTE (G-12):										COLLECTIONS PER CASE:									
SUPP/CLERICAL FTE (G-9):										TOTAL COLLECTIONS:									
LEAD CASEWORK FTE (G-13):										AFDC:									
STAFF ATTORNEY (G-15):										NAFDC:									
TOTALS (FTE's & COST):										STATE SHARE OF AFDC COLLECTIONS:									
Other Required Costs:										AFDC INCENTIVES (7% X Total AFDC):									
TOTAL COSTS:										NAFDC INCENTIVES (Capped):									
FEDERAL FUNDS:										TOTAL STATE REVENUE:									
GENERAL FUNDS:										TOTAL STATE COST:									
TOTAL STATE PROFIT(LOSS):										TOTAL STATE PROFIT(LOSS):									
Administrative Paternity										Administrative Paternity									
SB-177 Administrative Paternity										SB-177 Administrative Paternity									
*** FTEs and COSTS ***										*** REVENUE/PROFIT(LOSS) ***									
SFY 1990					SFY 1991					SFY 1990					SFY 1991				
NUMBER					COST					NUMBER					COST				
NEW FTEs NEEDED:										ADDED CASES:									
Increase in Caseload:										% OF CASES WITH COLLECTIONS:									
CASEWORK FTE (G-12):										COLLECTIONS PER CASE:									
SUPP/CLERICAL FTE (G-9):										TOTAL COLLECTIONS:									
LEAD CASEWORK FTE (G-13):										AFDC:									
STAFF ATTORNEY (G-15):										NAFDC:									
TOTALS (FTE's & COST):										STATE SHARE OF AFDC COLLECTIONS:									
Other Required Costs:										AFDC INCENTIVES (7% X Total AFDC):									
TOTAL COSTS:										NAFDC INCENTIVES (Capped):									
FEDERAL FUNDS:										TOTAL STATE REVENUE:									
GENERAL FUNDS:										TOTAL STATE COST:									
TOTAL STATE PROFIT(LOSS):										TOTAL STATE PROFIT(LOSS):									
Administrative Paternity										Administrative Paternity									
SB-177 Administrative Paternity										SB-177 Administrative Paternity									
*** FTEs and COSTS ***										*** REVENUE/PROFIT(LOSS) ***									
SFY 1990					SFY 1991					SFY 1990					SFY 1991				
NUMBER					COST					NUMBER					COST				
NEW FTEs NEEDED:										ADDED CASES:									
Increase in Caseload:										% OF CASES WITH COLLECTIONS:									
CASEWORK FTE (G-12):										COLLECTIONS PER CASE:									
SUPP/CLERICAL FTE (G-9):										TOTAL COLLECTIONS:									
LEAD CASEWORK FTE (G-13):										AFDC:									
STAFF ATTORNEY (G-15):										NAFDC:									
TOTALS (FTE's & COST):										STATE SHARE OF AFDC COLLECTIONS:									
Other Required Costs:										AFDC INCENTIVES (7% X Total AFDC):									
TOTAL COSTS:										NAFDC INCENTIVES (7% X Total NAFDC):									
FEDERAL FUNDS:										TOTAL STATE REVENUE:									
GENERAL FUNDS:										TOTAL STATE COST:									
TOTAL STATE PROFIT(LOSS):										TOTAL STATE PROFIT(LOSS):									



GRAND TOTAL EXPENDITURE REQUIREMENT				SFY 1990		SFY 1991		GRAND TOTAL		SFY 1990		SFY 1991	
NEW FTEs NEEDED:				NUMBER	COST	NUMBER	COST	REVENUE/PROFIT(LOSS)		REVENUE/PROFIT(LOSS)		REVENUE/PROFIT(LOSS)	
CASEWORK FTE (G-12):	17	\$542,185	28	\$859,519	TOTAL ADDED AFDC COLLECTIONS:		\$774,960	\$966,031					
SUPP/CLERICAL FTE (G-9):	6	\$168,804	10	\$263,904	TOTAL ADDED NAFDC COLLECTIONS:		\$3,704,718	\$7,132,987					
LEAD CASEWORK FTE (G-13):	0	\$0	0	\$0	TOTAL ADDED COLLECTIONS:		\$4,479,677	\$8,099,018					
STAFF ATTORNEY (G-15):	2	\$77,599	2	\$72,668	STATE SHARE OF AFDC COLLECTIONS:		\$227,683	\$283,820					
Totals (FTE's & Cost):	25	\$788,588	40	\$1,196,091	INCENTIVES ON AFDC COLLECTIONS:		\$54,247	\$67,622					
Other Required Costs:		\$166,826		\$158,875	INCENTIVES ON NAFDC COLLECTIONS:		\$240,818	\$285,336					
TOTAL COSTS:		\$955,415		\$1,354,966	TOTAL STATE REVENUE:		\$522,748	\$636,778					
FEDERAL FUNDS:		\$658,792		\$921,638	TOTAL STATE COST:		\$296,623	\$433,328					
GENERAL FUNDS:		\$296,623		\$433,328	TOTAL STATE PROFIT(LOSS):		\$226,126	\$203,450					

	Fiscal 1988			Fiscal 1989		
	General Fund	State Special Revenue	Proprietary	General Fund	State Special Revenue	Proprietary
2. Centralized Services						
880,546		6,600		886,766	6,600	
3. Data Processing Division						
1,005,278			419,408	1,007,144		422,380
4. Investigations and Enforcement Division						
a. Administration						
50,397		55,637	18,712	50,470	55,716	18,739
b. Investigations Program						
31,509	230,728	129,685	250,637	25,460	238,348	249,651
c. Child Support Enforcement						
499,750		1,130,102		497,519	1,140,772	
5. Income and Miscellaneous Tax Division						
3,079,363	82,884			3,156,379	87,884	
6. Natural Resources and Corporation Tax Division						
1,106,908	57,048	122,128		1,107,619	57,048	
7. Property Assessment Division						
a. Elected Assessors						
769,479				769,479		
b. Appraisers and Nonelected Assessors						
8,472,371				8,472,371		
c. Property Assessment -- Helena						
i. Operations						
362,527				362,527		
ii. Railroad Appraisal						
60,000				60,000		
d. Property Assessment -- Administration						
551,651				551,651		
e. Property Assessment -- House Bill 436						
500,789				500,789		
8. Motor Fuels Tax Division						
710,785				710,785		
Total	17,482,614	1,177,951	1,444,152	17,511,147	1,171,994	1,955,688

17,482,614 1,177,951 1,444,152 767,559 20,872,276 17,511,147 1,171,994 1,955,688 739,370 21,378,199

Funds for resource indemnity trust projects approved by the 50th legislature in other state agencies are appropriated for transfer purposes to the extent that these funds are available.

Liquor division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1989 biennium, the division shall attempt to return at least 10% 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% of net sales. Operational expenses may not include product costs, freight charges, or expenses allocable to other divisions or licensing bureau expenses.

Item 7c11 is an 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.

The source of funding in item 7e is the local impact and education trust fund account.

For the purposes of implementing Senate Bill 200, there may be no more than 36 FTE in fiscal 1988 and 34 FTE in fiscal 1989.

# Multistate Tax Commission



EXHIBIT 7  
DATE 1-31-89  
HB \_\_\_\_\_

January 27, 1989

Gerald Foster, Administrator  
Natural Resource and Corporation Tax Division  
Montana Department of Revenue  
Mitchell Building  
Helena, MT 59620

Dear Jerry:

This letter is to confirm the projected membership and audit fees for the two fiscal years beyond those already paid by Montana.

Listed below are Montana's minimum fees for future fiscal years as projected in the Commission's current budget:

	<u>First Year</u>	<u>Second Year</u>
Membership Dues	\$ 6,312	\$ 6,628
Audit Fees	\$ 72,847	\$ 77,976

In addition, the member states have in recent years asked the Commission to undertake special projects to address specific subjects or issues. I understand that you have requested \$5,000 a year to assist with Montana's participation in such projects. On January 21, 1989, the MTC Executive Committee authorized a project designed to develop proposals for updating the Multistate Tax Compact to reflect modern economic conditions. The \$5,000 you requested would facilitate Montana's participation in that project or similar efforts.

Beginning in FY '85, the Commission froze its membership dues for four consecutive years and its audit fees for three years. During this period, costs continued to increase. At this point, the Commission has adopted modest fee increases to maintain its fiscal balance and to continue to improve its operations.

Sincerely,

Dan R. Bucks  
Executive Director

# *Multistate Tax Commission*



## **GENERAL BENEFITS OF MTC MEMBERSHIP**

1. **Protects State Tax Sovereignty.** The MTC has prevented unwarranted Congressional intervention in state and local tax policies and has helped secure rulings in federal court that protect the ability of states to determine their own tax policies.
2. **Reduces Conflicts with Industry and Other States.** The MTC, as a force encouraging greater uniformity in state taxation, helps minimize conflicts and litigation that would arise if state practices were more divergent.
3. **Improves Tax Compliance.** The MTC Audit Program and other activities increase the degree of compliance with member state tax laws and policies.
4. **Updates Tax Systems.** The MTC recommends methods of updating state tax practices in response to changing economic trends and business practices.
5. **Provides Expertise.** The MTC committees and staff serve as an expert resource to each member state in the complex area of the taxation of multistate business activities.

## **BENEFITS OF THE MTC AUDIT PROGRAM**

1. **Reduces Litigation over Tax Audit Results.** The MTC audits major businesses for several states at one time. By applying a consistent approach to such audits, appeals and litigation are reduced.
2. **Improves Tax Compliance.** The MTC program extends the audit resources of a state, especially to industries for which member states may not have expertise or sufficient resources to audit.
3. **Addresses New Audit Issues.** The MTC can address new audit issues arising from changing business practices and develop a track record that can be followed by the member states in their own future audits.
4. **Revenue.** Member states have collected, over a recent four-year period, \$15.15 for every dollar paid into the MTC program. Individual state results vary based on the particular audits conducted for those states.

## PROPERTY ASSESSMENT DIVISION

### OVERVIEW

The Property Assessment Division is the largest in the Department of Revenue with approximately 400 employees. The division employees appraise and assess all taxable property in this state. They are located in the 56 counties.

The division is organized in to 4 programs: appraisal and assessment; industrial appraisal; inter-county property appraisal; and support services (chart).

### APPRAISAL AND ASSESSMENT

The appraisal staff determines market value of residential, commercial, and agricultural properties (550,000 parcels). They also determine the productive value of agricultural land and the value of timber. This staff gathers information for the sales ratio studies required to make annual value adjustments to the thirteen areas of the state. Each year this staff must value new construction and track ownership and land use changes. All most half the division staff is assigned to these activities.

The assessment staff is responsible for valuing personal property and includes the elected county assessor. These properties are valued each year. The assessor has other responsibilities including determination of the total taxable value for each

taxing jurisdiction in their county, extending taxes, providing reports, and selling hail insurance. Again, all most half of the staff is assigned to these activities.

#### **INDUSTRIAL APPRAISAL**

The staff in this program appraises the property at large industrial facilities. The property is highly specialized and difficult to identify. The property accounts for 8% of the local government's tax base.

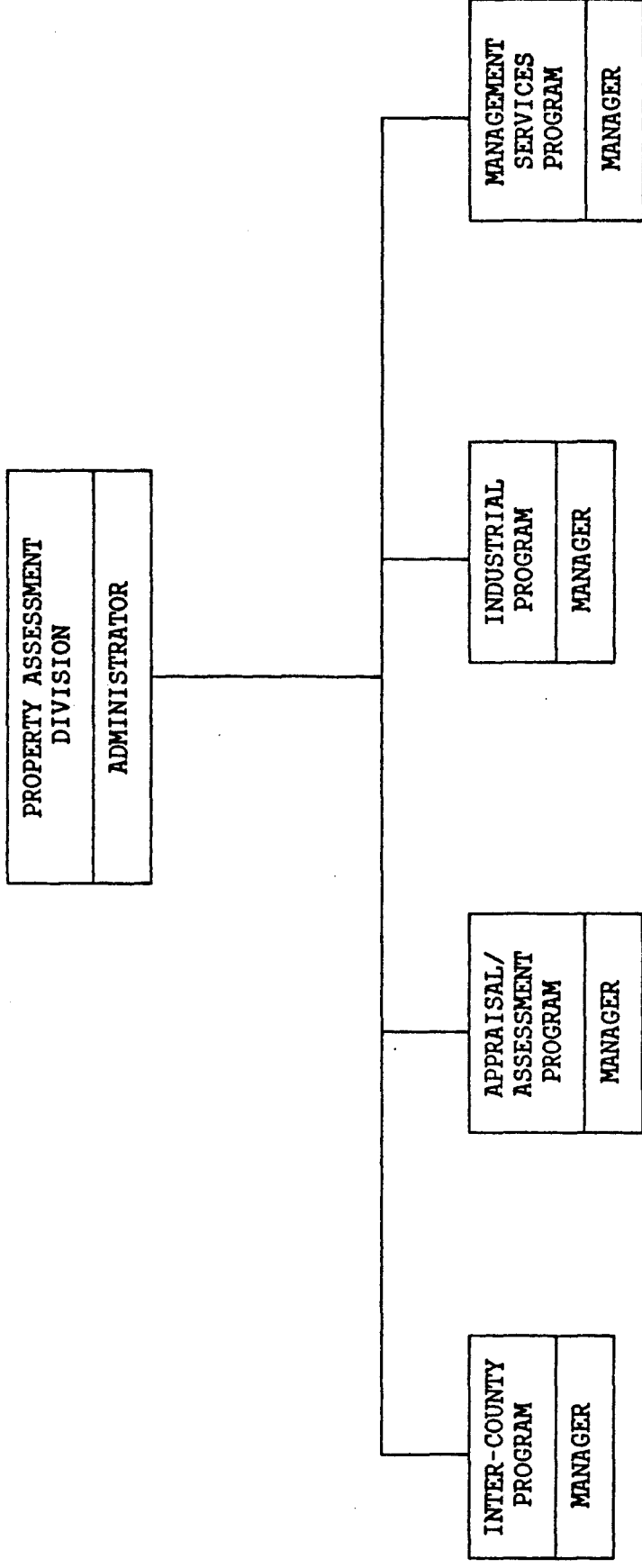
#### **INTER-COUNTY PROPERTY APPRAISAL**

The staff in this program appraise property that crosses county borders. This includes property owned by electric and gas companies, airlines, and railroads. This property accounts for 20% of the local tax base.

#### **SUPPORT SERVICES**

The staff in this program provide systems and word processing support to the division. Also, they audit the county offices to assume they are complying with the laws and regulations.

EXHIBIT 6  
DATE 1-31-89  
HB \_\_\_\_\_



January 26, 1989

TO: Jack Ellery, Deputy Director  
Department of Revenue

FROM: Ken Morrison, Administrator  
Property Assessment Division

RE: Representative Cobb's Proposal

The proposal eliminates 10 of our positions (8106, 8261, 8398, 8522, 8528, 8534, 8905, 8910, 90028 and 90063). I accept the determination for 3 positions (8522, 8528, and 8905). I suggest we ask the appropriations committee to reinstate a position that is currently filled (90063) and one we plan to fill (8910). The FTE from the remaining 5 positions were previously combined with other positions and the positions were eliminated from our records. Therefore, eliminating these positions again doesn't reduce FTE.

Positions Previously Combined

On October 31, 1988, positions 8106 and 8261 were combined to create one full-time FTE in Gallatin County (8335). As a result, positions 8106 and 8261 were eliminated and deleted from position control. The new position is currently filled by Judy Gunderson. Ms. Gunderson maintains accurate ownership and assessment information for Gallatin County.

On October 31, 1988, position 8398 was combined with an existing position (8389) in Phillips County to make one full-time FTE position. Position 8398 was then deleted from Position Control. The new position is currently filled by Ross Halvorson. Phillips County is a "manual" county (it does not have a computer system). As a result, the work is more labor intensive than in many other counties. Mr. Halvorson's position is critical if we are to complete the determination of taxable valuation within our statutory deadlines in Phillips County.

On August 17, 1988, position 8534 was divided with .75 FTE of that position being added to position 8542 in Toole County to create a full (1) FTE position. The remaining .25 FTE was added



to position 8521 in Fergus County to also create a full (1) FTE position. This change was made to accommodate a previously miscalculated workload in those counties. In making that determination, Division staff monitored the workload over the prior twelve month period. As a result of these actions, position 8534 was deleted from Position Control.

At the beginning of 1988, we were working with Powder River County to consolidate the offices of Assessor and Treasurer, and to make the Assessor and Deputy Assessor Department "classified" employees. The positions of Assessor and Deputy Assessor are currently partial FTE positions. The Assessor is a .66 FTE and the Deputy Assessor is a .70 FTE. It was our intention to utilize position 90028 to create two full-time positions. The "office consolidation" attempt is on hold in Powder River County.

We have been working with Musselshell County since mid-November, 1988, on a similar consolidation. Consolidation and the subsequent appointment of a single office manager has always made good managerial sense. Work duplication is eliminated. Taxpayers and local government officials come to one source for information. Employees have one, not two, bosses which allows for more consistent direction. Consolidation and a single office manager has proven successful and cost effective in Missoula County, Flathead County, Deer Lodge County and Lewis and Clark County. Again, we intend to use position 90028 to create full-time FTE's for the Assessor and Deputy Assessor in Musselshell County. This consolidation was to have been in place on January 1, 1989. Due to problems with the technical language, the agreements haven't been finalized. For "consolidation" to be possible, we must retain the FTE associated with position 90028.

#### Position Currently Filled

Position 90063 has been filled since November 28, 1988 by Tim Scheuer. Mr. Scheuer is a clerk in the Property Assessment Division's Helena Office. His duties include the processing of forms and supply requests received from the field, and delivery of information and documents to and from the Department of Revenue's Mitchell Building location.

#### Position Planned to be Filled

Position 8910 was provided by the 1987 Legislature to implement the automation of agriculture land appraisal data. We are just beginning to capture the data and plan to fill the position soon. The position is essential to ensure the project is successful and legislative expectations are met.

KM:kc  
rw88h  
cc: Randy Wilke

## VISITOR'S REGISTER

Gout? Highways

SUBCOMMITTEE

AGENCY (S) \_\_\_\_\_

DATE

1/31/89

DEPARTMENT \_\_\_\_\_

NAME	REPRESENTING	SUP- PORT	OP- POSE
<i>John Miller</i>	<i>Dept of Revenue</i>		
<i>Andrew Morris</i>	<i>MAC</i>		
<i>Ken Morrison</i>	<i>DOR</i>		
<i>Tracy Foster</i>	<i>DOR</i>		
<i>Brendo Haseman</i>	<i>DOR</i>		
<i>John Benton</i>	<i>DOR</i>		
<i>John Meredith</i>	<i>DOR</i>		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT  
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY