MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **REP. MARY LOU PETERSON, CHAIRMAN**, on February 11, 1993, at 8:00 AM.

ROLL CALL

Members Present:
Rep. Mary Lou Peterson, Chair (R)
Sen. Harry Fritz, Vice Chair (D)
Rep. Marjorie Fisher (R)
Sen. Gary Forrester (D)
Rep. Joe Quilici (D)
Sen. Larry Tveit (R)

Members Excused: None

Members Absent: None

Staff Present: Jon Moe, Legislative Fiscal Analyst
Dan Gengler, Office of Budget & Program Planning
Elaine Benedict, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing: DEPARTMENT OF REVENUE
Executive Action: DEPARTMENT OF REVENUE

HEARING ON DEPARTMENT OF REVENUE

Tape No. 1:A:145

PROPERTY VALUATION

Informational Testimony:

Mr. Jon Moe, Legislative Fiscal Analyst, reviewed the budget for the division. **EXHIBITS 1, 2 and 3**

Mr. Ken Morrison, Property Assessment Division, presented testimony for the division. **EXHIBIT 4.** He distributed a revised version of option #1. **EXHIBIT 5.** The original version was presented on 2/10/93.

Questions, Responses, and Discussion:

CHAIRMAN MARY LOU PETERSON asked how many miles are on the older cars. **Mr. Morrison** responded that the cars that need replacing have an excess of 100,000 miles on them. The highest milage on any of the vehicles is 165,000 miles.

REP. MARJORIE FISHER asked if the railroad and airlines are taxed at a higher percentage than the standard business or personal property tax rate. **Mr. Morrison** responded that railroads are taxed at a rate that fluctuates from year to year based on the rate for other commercial and industrial properties. The rate for these properties is required by Federal law. The railroad is currently taxed at a rate of approximately 7.5 %. The current rate for personal property is 9%. The land and buildings for a small business are taxed at 3.6%.

Informational Testimony:

Mr. Morrison distributed a flow chart. **EXHIBIT 6.** He reviewed the revised version of option #1. **EXHIBIT 5.** The department has conferred with the county assessors in attempting to devise the best proposal.

Questions, Responses, and Discussion:

REP. JOE QUILICI asked if passing option #1 would require a change in statute. **Mr. Morrison** answered that it would.

REP. QUILICI asked how much of the cost would rest on the local governments. **Mr. Morrison** answered approximately 63% of approximately $1.8 million.

SEN. LARRY TVEIT asked if the shift in costs is proportional. **Mr. Morrison** answered that the savings for the state is not as high as the cost for the county.

SEN. TVEIT asked what would be the difference if there were no personal property tax. **Mr. Morrison** answered that the need for employees in the division would be eliminated. The elimination of personal property tax would result in a cost savings.

Tape No. 1:B:008

REP. QUILICI asked if the proposal would affect the reappraisal cycle. **Mr. Morrison** answered that it would not.

REP. FISHER expressed concern that the cost of paperwork exceeds the amount sent in by those paying low amounts of personal property tax. **Mr. Morrison** responded that there have been some steps taken by the legislature to eliminate some taxes on specific lower paying items.

CHAIRMAN PETERSON supports the idea of delineating exactly who will be paid by which entity. She asked, with option #1, if one appraiser would be responsible for several counties. **Mr. Morrison** answered that option #1 does not centralize the assessor's services. Option #2, however, does work towards this.

<u>**Informational Testimony**</u>:

Ms. Marian Olson, President of Montana Assessors Association and Assessor for Hill County, stated that the assessors enjoy their relationship with the Department of Revenue; there is a need for an agent to act as a liaison between the taxpayers and the department. County assessors are required to pass certification standards in order to hold the public office. Hill County, because of CI 105, is unable to raise tax revenue above the 1986 level. However, the county is mandated to provide increased services. The assessors do not support the proposal to transfer positions from local to state levels if the funding for it is not provided.

The proposed computer systems help to alleviate manual work and allow for more time for field work. The assessors wish to continue the partnership with the department and to maintain the 70/30 (70% state, 30% county) funding for salaries.

Ms. Cele Pohle, Chair of Montana Assessors Association Taxation Committee and Assessor for Powell County, reiterated the points made by Ms. Olson.

Mr. Morrison distributed information concerning option #2. **EXHIBIT 7**

<u>**Questions, Responses, and Discussion**</u>:

REP. QUILICI asked what positions would be reduced with this option. **Mr. Morrison** answered that the position reduced would be at the county level.

REP. QUILICI asked what would be the result if the 60 positions were removed from the Property Assessment Division in Helena. **Mr. Morrison** responded that the majority of the employees are not in Helena. The appraisers in Helena are specialized and centralized for appraisal of particular properties elsewhere in the state. There are only approximately 30 such positions in Helena.

SEN. HARRY FRITZ said that the resolution guiding the subcommittee's action states that county costs cannot be raised.

Mr. Mick Robinson, Director, Department of Revenue, stated that it is unfair for the state to have to absorb the entire amount of reductions within the appraisal system. The system will not be able to continue unless the reductions are distributed to other areas.

<u>**Informational Testimony:**</u>

Mr. Dan Gengler, Office of Budget and Program Planning, with regard to the language proposal, requested that unnecessary restrictions of flexibility be avoided. The OBPP believes the line-item restriction is unnecessary.

Tape No. 2:A:035

Discussion:

The subcommittee, in regard to options #1 and #2, agreed that the department would need to present further options that would not place as much cost on the local governments.

Informational Testimony:

Mr. Gengler, with regard to the department's proposal to change its target, explained that the department did spend the $910,000 in the 1993 biennium. The amount was not included in budget calculations because of the way it was coded. The department moved the amount from FY93 into FY92 and the money was therefore not recognized by the budgeting process.

EXECUTIVE ACTION ON DEPARTMENT OF REVENUE

Tape No. 2:B:115

DIRECTOR'S OFFICE

EXHIBITS 2 and 8

Motion/Vote: REP. QUILICI moved to accept the LFA current level base. **THE MOTION CARRIED** unanimously with four members present.

Informational Testimony:

CHAIRMAN PETERSON clarified that this motion includes the previous actions by the Appropriations Committee of the 5% personal services reductions and the "snap-shot" vacancy reductions.

Discussion:

Mr. Jack Ellery, Deputy Director, Operations, stated that this would have a drastic impact on the department. He requested that the subcommittee reinstate the 5% personal service and vacancy reductions and proceed from that point.

The subcommittee agreed that in order to maintain continuity with actions taken on previous agencies, the motion to accept the LFA would include the 5% personal service and vacancy reductions

The subcommittee agreed that the OBPP and the LFA would combine efforts to determine the proper funding ratio for the transfer of the Investigations Bureau.

CENTRAL SERVICES DIVISION
Tape No. 2:B:405

EXHIBITS 2 and 9

Motion/Vote: **REP. QUILICI** moved to accept the LFA current level base. **THE MOTION CARRIED UNANIMOUSLY.**

DATA PROCESSING DIVISION
Tape No. 2:B:456

EXHIBIT 10

Motion/Vote: **REP. QUILICI** moved to accept the LFA current level base. **THE MOTION CARRIED UNANIMOUSLY.**

Informational Testimony:

Mr. Ellery pointed out that the department's proposal assumes acceptance of the LFA with the reinstatement of the 5% personal service and vacancy reductions.

LIQUOR DIVISION
Tape No. 2:B:630

EXHIBITS 2 and 11

Motion/Vote: **SEN. TVEIT** moved to accept the LFA current level base. **THE MOTION CARRIED UNANIMOUSLY.**

Questions, Responses, and Discussion:

REP. QUILICI asked if the 5% personal services reductions includes positions in liquor stores in local cities. **Mr. Gary Blewett, Administrator of the Liquor Division,** stated that most of the positions reduced are store clerks and store managers. All but two positions are eliminated because of the closing of some stores. Position #5602 and #5607 need to be restored in order to maintain the stores in Butte and Livingston, respectively.

Informational Testimony:

Mr. Moe distributed language options for the division. **EXHIBIT 12**

Mr. Gengler addressed language option #2. A previous vote already appropriated the Licensing Bureau. Accepting language option #2 would cause the Licensing Bureau to be appropriated twice.

Motion/Vote: **REP. QUILICI** moved to accept language option #1. **THE MOTION CARRIED UNANIMOUSLY.**

INCOME TAX

Tape No. 3:A:275

Informational Testimony:

Mr. Moe reviewed the budget for the program. **EXHIBITS 2 and 13.**

Motion/Vote: **REP. FISHER** moved to accept the LFA current level base. **THE MOTION CARRIED UNANIMOUSLY.**

BUDGET ITEM FUNDING DIFFERENCES:

Motion/Vote: **REP. FISHER** moved to transfer $90,000 in each year of the biennium from the general fund to the state special revenue fund. **THE MOTION CARRIED UNANIMOUSLY.**

BUDGET ITEM CIGARETTE TAX FUNDING/STAMPS-MODIFICATION:

Motion/Vote: **REP. FISHER** moved to accept the request. **THE MOTION CARRIED** with **REP. QUILICI** opposing.

Questions, Responses, and Discussion:

CHAIRMAN PETERSON asked if the new system will be in place in five years. **Mr. Jeff Miller, Administrator of the Income and Miscellaneous Tax Division,** answered that it will.

CORPORATE TAX

Tape No. 3:A:835

Informational Testimony:

Mr. Moe reviewed the budget for the program. **EXHIBITS 2 and 14**

Motion/Vote: **SEN. FRITZ** moved to accept the LFA current level base. **THE MOTION CARRIED UNANIMOUSLY.**

BUDGET ITEM ROYALTY AUDIT FTE-MODIFICATION:

Motion/Vote: **REP. QUILICI** moved to accept the request. **THE MOTION CARRIED UNANIMOUSLY.**

Questions, Responses, and Discussion:

REP. FISHER asked how much revenue this position will generate. **Mr. Don Hoffman, Administrator of the Natural Resource and Corporate Tax Division,** estimated approximately $325,000/year.

ADJOURNMENT

Adjournment: 11:40 AM

Mary Lou Peterson
REP. MARY LOU PETERSON, Chair

Elaine Benedict
ELAINE BENEDICT, Secretary

MLP/EB

HOUSE OF REPRESENTATIVES

Gen. Gov. & Hwys. SUB-COMMITTEE

ROLL CALL DATE 2/11/93

NAME	PRESENT	ABSENT	EXCUSED
Rep. Mary Lou Peterson Chair	X		
Sen. Harry Fritz Vice Chair	X		
Rep. Marjorie Fisher	X		
Sen. Gary Forrester	X		
Rep. Joe Quilici	X		
Sen. Larry Tveit	X		

EXHIBIT 1
DATE 2/11/93
~~HB~~

5801 08 00000
DEPARTMENT OF REVENUE — Property Valuation
Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	397.06	398.06	378.91	398.06	(19.15)	378.91	398.06	(19.15)
Personal Services	9,763,075	8,950,475	10,292,186	10,835,904	(543,718)	10,318,153	10,863,773	(545,620)
Operating Expenses	1,831,306	2,103,435	1,803,406	1,771,330	32,076	1,803,409	1,769,988	33,421
Equipment	92,615	99,810	183,778	165,475	18,303	185,848	165,270	20,578
Debt Service	269,741	268,572	269,800	269,741	59	269,800	269,741	59
Total Costs	$11,956,738	$11,422,292	$12,549,170	$13,042,450	($493,280)	$12,577,210	$13,068,772	($491,562)
Fund Sources								
General Fund	11,956,738	11,422,292	12,549,170	13,042,450	(493,280)	12,577,210	13,068,772	(491,562)
Total Funds	$11,956,738	$11,422,292	$12,549,170	$13,042,450	($493,280)	$12,577,210	$13,068,772	($491,562)

Page References

LFA Budget Analysis A-148 to A-176
Stephens Sexecutive Budget A68 to A78

	Exec. Over(Under) LFA Fiscal 1994	Exec. Over(Under) LFA Fiscal 1995
Current Level Differences		
PERSONAL SERVICES–The LFA current level is higher than the executive by 19.15 FTE. This is the net difference of two items. First, the LFA current level includes 19.75 FTE ("5% reduction" FTE) not in the executive current level. Second, the executive current level includes .60 FTE not included in the LFA current level because in moving two positions (.70 FTE each) from the "elected & deputy assessors" budget entity to the "county appraisal/area management" budget entity, the LFA adjustment moves each .70 FTE while the executive adjustment established positions as full FTE, an increase of .60 FTE.	(543,718)	(545,620)
RENT/NON-DofA BUILDINGS–The LFA current level is based upon the fiscal 1992 actual expenditures for rent of county appraisal office space.	15,087	16,152
DATA NETWORK SERVICES–The LFA current level is lower because it does not include funding for the cost of connecting additional personal computers to the statewide data network.	4,640	4,640
SYSTEMS DEVELOPMENT/NON-DofA–The LFA current level uses fiscal 1992 actual expenditures and does not include additional funds for contract programming for maintenance and upgrades of county computer systems.	12,950	12,950
EQUIPMENT–The LFA current level is lower (by $25,610 in fiscal 1994 and $27,680 in fiscal 1995) than the executive for replacement of autos but includes funds to replace 6 vehicles per year. The LFA current level is higher by about $12,000 each year for replacement of CAMAS computers. The LFA is lower by $5,000 each year for replacement of some county office equipment.	18,303	20,578
MINOR DIFFERENCES	(846)	(646)
INFLATION DIFFERENCES	304	384
TOTAL CURRENT LEVEL DIFFERENCES	(493,280)	(491,562)
Budget Modifications		
BUSINESS EQUIPMENT EVALUATION SYSTEM–During the 1993 biennium, the Department of Revenue data processing staff developed a mainframe computer system to track and value personal property. This budget modification would add $135,000 general fund over the biennium to fund mainframe computer processing charges to operate the system. (See also issue on page A-157 of LFA Budget Analysis.)	45,000	~~9,000~~ 90,000
RESTORE 5% FTE REDUCTION–This budget modification restores $1,025,861 general fund over the biennium and 19.75 FTE removed from the program current level budget request in accordance with section 13 of House Bill 2.	511,969	513,892

EXHIBIT 1
DATE 2/11/93
HB

Language

The 1993 biennium appropriation act includes language which refers to a line item titled "Computer-Assisted Mass Appraisal System (CAMAS) Costs". The language states:

> "Funds appropriated in item ___ may be used only for consulting contracts to support CAMAS or to support appraisers' use of CAMAS, for debt service costs to fund equipment aquisitions, and for computer maintenance contracts."

The committee may wish to consider a similar line item and language.

EXHIBIT 6
DATE 2/11/93
HB 1

08-Feb-93

DEPARTMENT OF REVENUE

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

Position #	Position Description	Total Personal Services Fiscal 1994	Total Personal Services Fiscal 1995	FTE Removed by 5% Reduction	FTE Removed by Being Vacant	Total FTE Removed	Non-Approp FTE
General Fund Positions							
Director's Office							
01007	Personnel Technician	22,570	22,601	1.00		1.00	
01036	Admin Aide II	20,434	20,462		1.00	1.00	
** 01040	Admin Officer IV	35,915	35,968	1.00		1.00	
Centralized Services Division							
02021	Accounting Clerk	18,220	18,244	1.00		1.00	
90200	Admin Clerk I	11,368	11,438	0.50		0.50	
90202	Mail Clerk II	1,593	1,600	0.09		0.09	
Data Processing Division							
03010	Info Sys Spec II–Impl	37,498	37,768		1.00	1.00	
03052	Info Sys Spec II–Impl	37,088	37,142		1.00	1.00	
91610	Data Entry Operator	68,739	68,833	3.60		3.60	
91613	Data Entry Oper I	9,108	9,118		0.75	0.75	
91618	Data Entry Oper Trainee	8,599	8,608		0.50	0.50	
Income Tax–Admin/Audit							
06022	Revenue Agent I	13,427	13,448	0.50		0.50	
06038	Revenue Agent II	16,632	16,771	0.50		0.50	
06059	Tax Exam Tech	25,035	25,070		1.00	1.00	
06065	Revenue Agent I	14,154	14,258	0.50		0.50	
06078	Revenue Agent I	12,386	12,405	0.50		0.50	
06095	Revenue Agent III	18,318	18,345	0.50		0.50	
06096	Revenue Agent I	13,905	13,927	0.50		0.50	
06123	Tax Exam Clerk	9,151	9,165	0.46		0.46	
** 96010	Tax Exam Tech	16,483	16,505	0.70		0.70	
Income Tax–Support Services							
06016	Admin Clerk III	19,556	19,583		1.00	1.00	
06029	Accounting Tech	25,359	25,395		1.00	1.00	
06033	Admin Clerk III	22,351	22,383		1.00	1.00	
06034	Admin Clerk III	22,249	22,383		1.00	1.00	
06136	Admin Clerk I	9,658	9,669		0.50	0.50	
Income Tax–Business Tax							
** 06002	Taxpayer Service Rep	28,277	28,317	1.00		1.00	
06104	Audit Technician I	23,774	23,942		1.00	1.00	
Corporation Tax–Admin/Audit							
07101	Career Exec Assign	50,742	50,818		1.00	1.00	
07450	Revenue Agent I	19,398	19,426	0.65		0.65	
07802	Revenue Agent I	18,937	18,964	0.65		0.65	
07903	Word Proc Operator III	19,556	19,583	1.00		1.00	
Corporation Tax–State Lands Audit							
07807	Revenue Agent I	28,277	28,317		1.00	1.00	
Property Valuation–County Appraisal/Area Management							
08029	Property Tax Clerk II	24,497	24,729	1.00		1.00	
08042	County Property Tax Supv	42,002	42,064		1.00	1.00	
08065	Appraiser II	28,555	28,649	1.00		1.00	
08067	Property Tax Assistant	18,123	18,149	1.00		1.00	
08068	Property Tax Clerk Supv II	27,503	27,542		1.00	1.00	
08086	Property Tax Clerk II	27,221	27,260		1.00	1.00	
08107	Property Tax Assistant	23,907	24,081	1.00		1.00	
08119	Property Tax Clerk II	22,610	22,642		1.00	1.00	
** 08121	Property Tax Clerk II	19,556	19,583	1.00		1.00	
08122	Property Tax Clerk II	22,610	22,817		1.00	1.00	

(Continued on next page)

EXHIBIT 6
DATE 2/11/93

	Position #	Position Description	Total Personal Services Fiscal 1994	Total Personal Services Fiscal 1995	FTE Removed by 5% Reduction	FTE Removed by Being Vacant	Total FTE Removed	Non-Approp FTE
	General Fund Positions (continued)							
	Property Valuation – County Appraisal/Area Management (continued)							
	08139	Appraiser I	24,054	24,088		1.00	1.00	
**	08156	Property Tax Clerk II	19,556	19,583	1.00		1.00	
**	08190	Property Tax Clerk II	19,556	19,583	1.00		1.00	
	08212	Property Tax Clerk II	27,221	27,260		1.00	1.00	
**	08223	Property Tax Clerk II	22,173	22,314	1.00		1.00	
	08301	Property Tax Clerk II	9,638	9,652	0.50		0.50	
	08309	Property Tax Clerk II	15,356	15,377	0.75		0.75	
	08334	Property Tax Clerk II	25,508	25,544		1.00	1.00	
**	08338	Appraisal Supv I	28,277	28,317	1.00		1.00	
	08357	Appraiser Supv I	32,921	33,209		1.00	1.00	
	08358	Property Tax Clerk II	11,771	11,792	0.50		0.50	
	08422	Cty Assessor–Admin	26,736	26,774		0.70	0.70	
	08515	Admin Clerk I	17,036	17,059		1.00	1.00	
	08516	Property Tax Assistant	23,440	23,472		1.00	1.00	
	08542	Admin Clerk I	17,926	17,950		1.00	1.00	
	08554	Admin Clerk I	19,097	19,123		1.00	1.00	
**	08982	Appraisal Supv I	30,372	30,541	1.00		1.00	
	90047	Appraiser I	24,900	24,935		1.00	1.00	
**	90049	Appraiser II	25,178	25,309	1.00		1.00	
	Property Valuation – Admin/Operations/Central Appraisals							
	08153	Admin Assistant III	26,895	27,060	1.00		1.00	
	08186	Admin Assistant III	26,710	26,799	1.00		1.00	
	08221	Admin Assistant III	29,596	29,775	1.00		1.00	
	08225	Admin Assistant III	26,895	27,086	1.00		1.00	
	08226	Admin Assistant III	26,574	26,613	1.00		1.00	
	08935	Audito III	29,134	29,176	1.00		1.00	
**	08951	Tax Program Manager	48,447	48,508	1.00		1.00	
	08954	Tax Appraisal Spec II	33,508	33,557		1.00	1.00	
	08983	Area Property Tax Supv	41,969	42,084		1.00	1.00	
	90063	Admin Clerk I	5,902	5,911		0.40	0.40	
	Sub–Total		$1,671,687	$1,676,423	34.40	29.85	64.25	0.00
	Non-General Fund Positions							
	Director's Office							
	01020	Revenue Investigator	30,570	30,614		1.00	1.00	
	Liquor Division							
**	05007	Admin Clerk I	17,036	17,059	0.50	0.50	1.00	
	05047	Statistical Tech II	28,255	28,295				1.00
	05217	Liquor Store Clerk 2	25,021	25,056				1.00
	05311	Liquor Store Mgr 4	14,238	14,290				0.50
	05441	Liquor Store Mgr 6	29,335	29,376				1.00
	05507	Liquor Store Mgr 5	15,250	15,330				0.50
	05602	Liquor Store Clerk 2	5,685	5,694				0.25
	05607	Liquor Store Clerk 2	4,548	4,555				0.20
	05617	Liquor Store Clerk 2	4,640	4,647				0.20
	05621	Liquor Store Clerk 2	5,685	5,694				0.25
	05624	Liquor Store Clerk 2	4,724	4,743				0.20
	05625	Liquor Store Clerk 2	25,021	25,056				1.00
	05629	Liquor Store Clerk 2	25,021	25,056				1.00
	Sub–Total		$235,029	$235,465	0.50	1.50	2.00	7.10
	TOTAL		$1,906,716	$1,911,888	34.90	31.35	66.25	7.10

NOTES: ** Twelve positions were eliminated by both actions. They are shown eliminated by 5% reduction.

Position #05007 – .50 FTE eliminated as "5% reduction". It also appeared on the "vacancy list", but as 1.00 FTE. It is shown as a .50 FTE reduction in each column.

02/08/93
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DATE 2/11/93
HB

AGENCY: DEPARTMENT OF REVENUE

Checklist
Response to Subcommittee Letter

GENERAL FUND TARGET $38,818,690

Priority Ranking	SPECIFIC REDUCTION PROPOSALS	Total Biennial Reductions Identified: Does Apply Toward Target	Total Biennial Reductions Identified: Does Not Apply Toward Target	Fund Switch	Fee Increase	Permanent Reduction	Cost Shift to Local Govt?	Loss of G/F Revenue?	Amt. of G/F Rev. Loss	Statute Change
	*Current General Fund Appropriation**	43,420,054								
See Comment (1)	Current Level Adjustments Requested:	0								
	Agency Target Reduction Options:									
Tier I	Director's Office -- Reduce 3.5 FTE	(194,555)		N	N	Y	N	N		N
Tier I	Centralized Svcs -- Reorg. -- 1.5 FTE Reduction	(122,806)		N	N	Y	N	N		N
Tier II	Cent. Svcs -- Elim. 2.27 FTE Seasonal Mail Staff	(72,752)		N	N	Y	N	Y	500,000	N
Tier I	Data Processing -- Reduce 3.60 FTE Data Entry	(137,572)		N	N	Y	N	N		N
Tier I	Income/Misc Tax -- Eliminate Toll Free Service	(34,000)		N	N	Y	N	N		N
Tier I	Income/Misc Tax -- Eliminate 1.0 FTE Tax Svc Rep	(58,000)		N	N	Y	N	N		N
Tier I	Income/Misc Tax -- Elim. Training & Some Travel	(32,000)		N	N	Y	N	N		N
Tier I	Income/Misc Tax -- Cig. Tax Funding Admin Costs		(180,000)	Y (2)	N	N	N	N		N
Tier I	Income/Misc Tax -- Fund "Check-off" Admin Exp	(28,000)		Y	N	Y	N	N		?
Tier I	Income/Misc Tax -- Repeal Dangerous Drug Tax	(16,000)		N	N	Y	N	N		Y
Tier II	Income/Misc Tax -- Close Billings Field Office	(12,000)		N	N	Y	N	N		N
Tier II	Income/Misc Tax -- Eliminate Field Audit Travel	(60,000)		N	N	Y	N	N		N
Tier II	Income\Misc Tax -- Elim. 8 Audit & 1 Support FTE	(236,850)		N	N	Y	N	Y	4,000,000	N
Tier I	Nat Res/Corp Tax -- Elim. 1.0 Sr Mgmt FTE	(84,000)		N	N	Y	N	N		N
Tier II	Nat Res/Corp Tax -- Do Not Participate in MTC (3)	(144,000)		N	N	Y	N	Y	700,000	N
Tier II	Prop Valuation -- Option 1 (14.3 FTE Reduction)	(1,340,700)		N	N	Y	Y	N		Y
Tier II	Prop Valuation -- Option 2 (45.7 FTE Reduction) (4)	(1,860,000)		N	N	Y	Y	N		Y
	GENERAL FUND BALANCE ACHIEVABLE	38,986,819								
	ABOVE (BELOW) TARGET	$168,129					Total Projected GF Revenue Loss =		$5,200,000	
	Agency Additional Options (5% Below '93 Bien.)									
	TOTAL ADDITIONAL OPTIONS	$0	$0							

* This amount represents subcommittee action to date, or LFA current level if there has not yet been committee action.

COMMENTS:
(1) The department describes its reductions in relation to "Tiers I and II". Tier I is said to "not have short term negative effects on revenues". For Tier II reductions, it is indicated that "immediate lost revenue" would result, "far in excess of any savings achieved". The department indicates that the Tier II reductions are proposed because there are no other alternatives.
(2) The use of cigarette tax moneys to replace general funds here would ultimately reduce the amount of general fund otherwise available for appropriation, resulting in no net change.
(3) MPC = Multistate Tax Commission
(4) Option 2, as described in the letter includes Option 1, but takes the proposed reduction further. The reduction amount & FTE shown on this form for Option 2 are the incremental difference betv difference between Option 2 and Option 1.

EXHIBIT 4
DATE 2/11/93
HB

Department of Revenue

Property Assessment Division

Budget Issues

1. Restoration of Personal Services

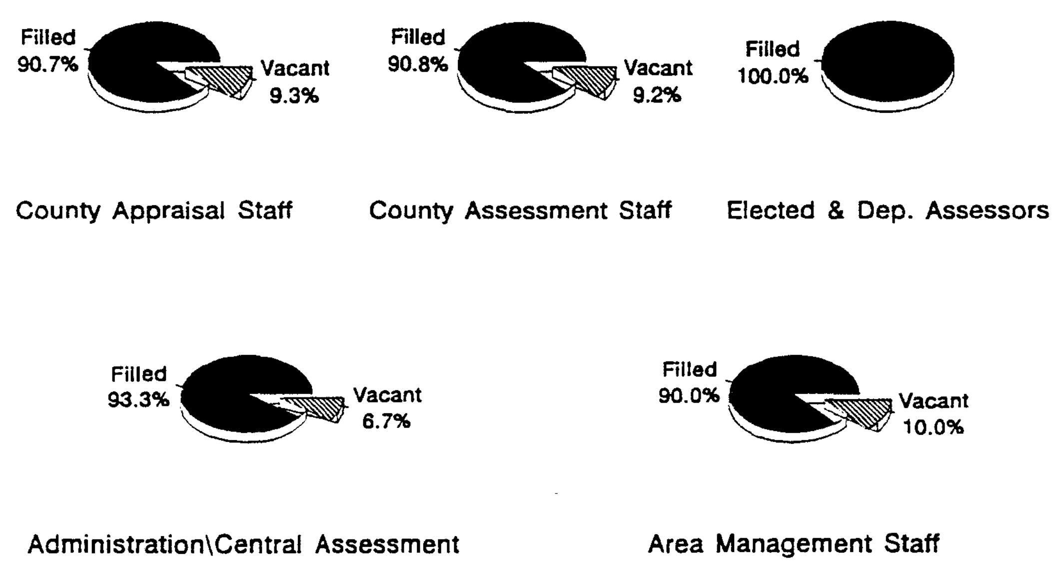
Restoration of 19.00 FTE lost as a result of the legislative mandate eliminating vacant positions prior to December 29, 1992.

Reinstatement Rationale

The department is requesting reinstatement of 19 FTE in the Property Assessment Division. These FTE were eliminated as a result of the recent legislative mandate. The division had held these positions open in order to help the department eliminate it's projected FY93 personal services deficit. A reduction of this magnitude in PAD staff would adversely affect the division's ability to carry out it's statutorily mandated reappraisal obligations.

Property Assessment Vacant Positions

Vacant Positions by Office



- Department positions appropriated for valuation and assessment of property

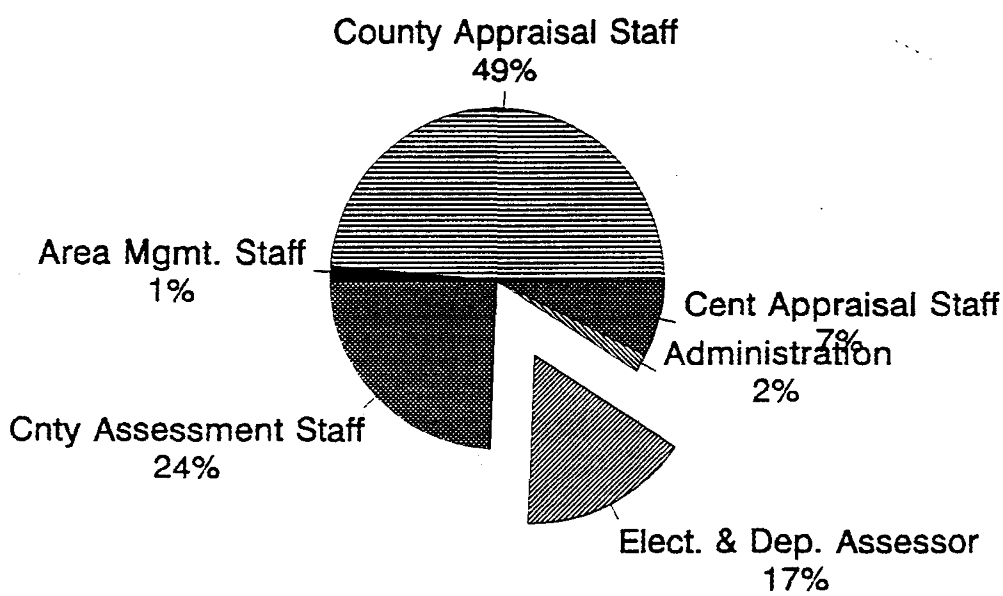
EXHIBIT 4
DATE 2/11/9
HB

in Montana have decreased by 49 percent since 1979, while the number of property parcels being valued and assessed has increased by approximately 25 percent.

- The department's past administration mandated that all vacant positions remain open until budgetary needs were met. This mandate forced the division to leave positions unfilled that were vacated as far back as May of 1992. These positions must be filled if the department is to meet it's legal mandates.

- Many of these vacant positions that were eliminated are in our county offices. By the end of January, 33% of the division's county offices had vacant positions. In some of these offices the vacancy rate is as high as 50%.

Property Assessment FTE Breakdown



- The department is statutorily mandated to complete cyclical reappraisal cycles in order to maintain equitable and current values of all real property

EXHIBIT 4
DATE 2/11/93
HB

for ad valorem tax purposes. Recent legislation has reduced the length of reappraisal cycles from seven years to four years.

- The division's current organizational structure includes 65.8 FTE of elected and deputy assessors. Because these positions are elected officials, vacancies do not occur. This situation makes it difficult when vacancy savings are forced upon the division. Because these positions are never vacant the division is forced to apply mandated vacancy savings to other programs within it's budget.

Justification

- The division had 31 positions vacant at the end of January 1993. This represents 7% of it's personnel.

- Without full staffing the division won't be able to physically inspect and locate unreported property and pick up new construction. This situation will create statewide inequity in the valuation, assessment and taxation process. It would impact property owners, state and local governments, and schools. Property values would not be uniform and equitable and local tax bases would begin to erode.

- Without full staffing an effective tax system will not exist. All of the positive improvements the division has made with it's new CAMA system will be jeopardized.

- Without these positions the next "four year" reappraisal cycle from January 1, 1993 to January 1, 1997 is in jeopardy.

- The CAMA system's success is dependent upon good, accurate, up-to-date data elements. If the division is not fully staffed it will be extremely difficult to maintain the CAMA system database. Neglect in maintaining the data base will result in inaccurate appraisals, inequities, and a strong potential for increased appeals.

- The Property Assessment Division has never been more productive than it is at this time. To reduce it's staffing by this amount will harm productivity and will reduce revenues generated by the division.

EXHIBIT 4
DATE 2/11/93
HB

- A reduction in staff of this magnitude will cost the state in property tax revenue. Furthermore, it will cause the improved property tax system that the legislature has built to deteriorate. This will result in continual inequities and lawsuits that could cost the state millions of dollars.

<u>The department requests that the Property Assessment Division be exempted from any reduction in work force.</u>

EXHIBIT 4
DATE 2/11/93
HB

Department of Revenue

Property Assessment

Budget Issues

2. Restoration of Personal Services

Exemption from the mandated 5% reduction in personal services.

Reinstatement Rationale

The department is requesting the reinstatement of the 19.75 FTE for the 5% forced reduction. This reduction in FTE would be a drastic cut in personnel that would leave some of the offices with a skeleton staff.

- The positions appropriated for the assessment of property in Montana have decreased by 49 percent since 1979, while the number of real property parcels appraised and assessed has increased by approximately 25 percent.

Parcels per FTE

Counts at the end of each Reappraisal Cycle

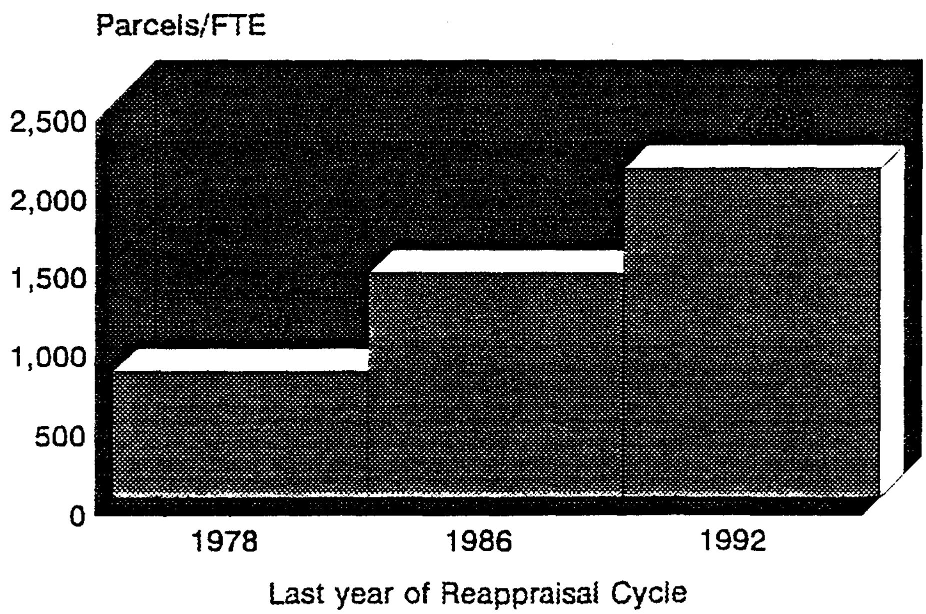
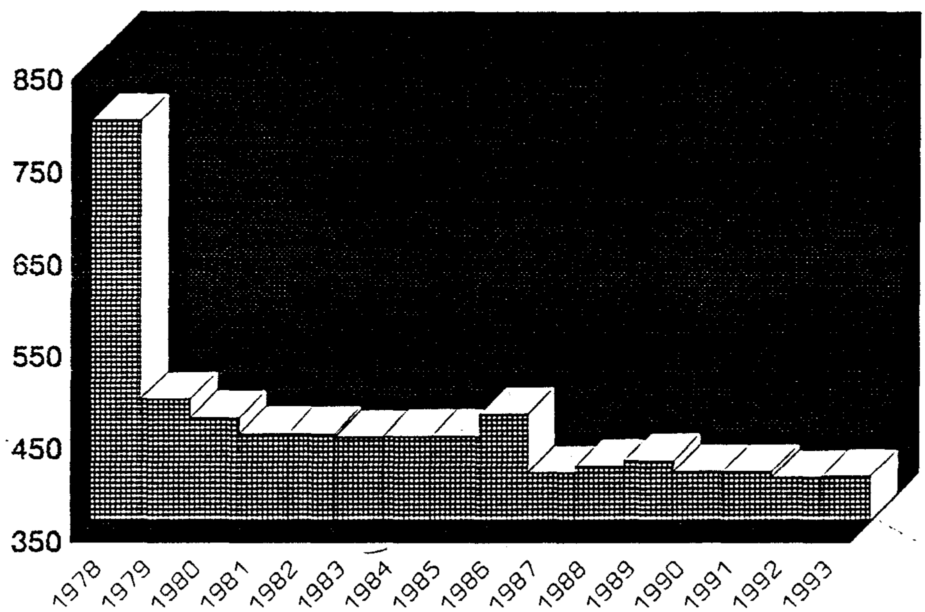


EXHIBIT 4
DATE 2/11/93
HB 1

- Since the completion of the 1986 reappraisal and implementation of CAMAS the department has reduced it's FTE by 15 percent from 465 FTE to it's current level of 397 FTE.

Property Assessment FTE



- The Department has been mandated to develop and implement two new tax programs: timber productivity and private car line appraisals. The legislature will likely pass legislation that requires the use of new agricultural land valuation schedules for 1994. The department has also implemented the CAMA and BEV systems for appraising residential and commercial property. All of this while staffing has decreased.

- In the last seven years the division has made a concerted effort to streamline it's operations. This was done by giving more responsibility to our employees. The division has reduced its top management by 31 percent and reduced the number of bureaus by 33 percent.

EXHIBIT 4
DATE 2/11/93
HB

<u>The department requests the subcommittee to approve the Executive request for out-of-state lodging costs. The Executive request is premised on the basis of the division performing the same number of field audits as the FY92/93 biennium and does not represent an increase in program activity.</u>

EXHIBIT 4
DATE 2/11/93
HB

- The Division's current organizational structure includes 65.8 FTE of elected and deputy assessors. When the 5% reduction was calculated it included this program. Since the division has no control over the employment of these positions, these reductions will come from the division's other programs.

Justification

- Without these positions the new reappraisal cycle will be jeopardized. Without the full staffing the division will have a difficult time completing future reappraisals in a three year time frame.

- Without full staffing the division won't be able to physically inspect and locate unreported property. This could impact property owners, state and local governments, and schools. Because property values will not reflect true market values, local revenues will be lost.

- Without full staffing an effective tax system will not exist. All the positive advances the division has made with it's new systems will be jeopardized.

- The division has never been more productive. To reduce staffing by this much will adversely impact this productivity and will reduce the revenue generated by the division.

- This reduction in staff will cost the state not only in lost property taxes, but will also cost the taxpayers more in the future to catchup on the neglected tax system.

The department requests that the property assessment division be exempt from any reduction in work force.

EXHIBIT 4
DATE 2/11/93
HB

Department of Revenue

Property Assessment Division

Budget Issues

<u>3. Business Equipment Valuation System</u>

Mainframe and data processing charges for the division's business equipment and livestock valuation and assessment software.

Reinstatement Rationale

- The Department of Revenue is responsible for the valuation and assessment of personal property as defined under Title 15 of the Montana Code Annotated. Until recently most of the functions associated with this responsibility were performed manually by county assessors and assessment staff in all 56 counties.

- Without automation it was difficult for the department to maintain uniformity and equity in the taxation of personal property statewide. Furthermore, it made it extremely difficult for the department to gather and compile any consistent statewide statistical information pertaining to personal property taxation. Lack of uniformity and consistency statewide has created public mistrust and animosity towards the valuation and assessment of personal property.

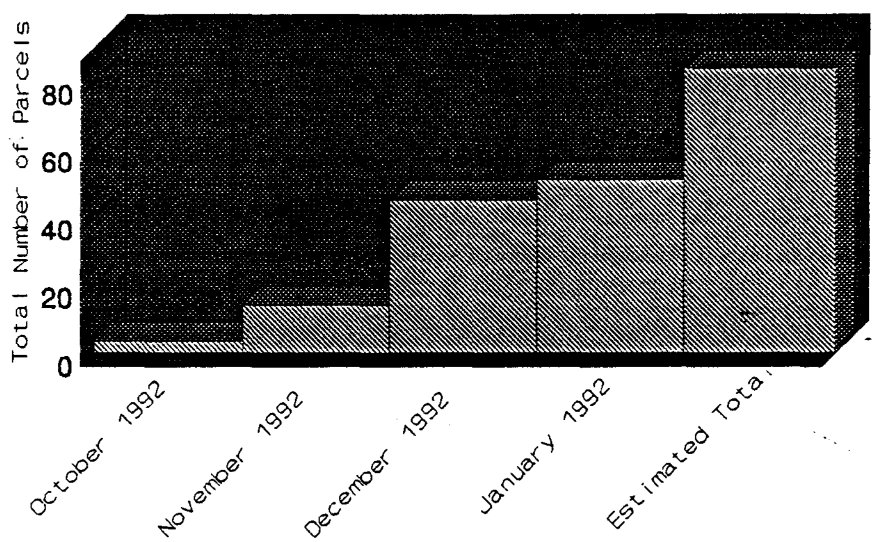
- Many county assessors have long desired to automate the personal property valuation and assessment functions. In 1991 certain assessors began creating their own software programs to automate portions of the personal property valuation and assessment functions. Their desires were further accelerated by county computer programmers and private computer software vendors under contract with individual county governments, who showed an interest in helping them in their automation efforts. These software programs varied widely from simplified lotus programs to more complex program applications used on mid-range systems linked to PC based networks. This situation greatly concerned the department and posed significant problems to the department's ability to administer the valuation and assessment of business equipment and livestock uniformly, statewide.

EXHIBIT
DATE 2/11/93
HB

- In an eleven month period (November, 1991 - September, 1992), the department was very successful in automating it's personal property valuation and assessment functions. The results of these efforts was the development and implementation of the Business Equipment Valuation System.

Automation of Business Equipment/Livestock

BEVS Data Entry Progress



Parcel Data Entry Progress (Thousands)

- Through the department's automation efforts, 50,874 parcels (61%) of the state's estimated 83,920 parcels of business equipment and/or livestock have been automated. The department plans to complete it's automation efforts by January 1, 1994.

Justification

- Business Equipment Valuation System is a simplified valuation and assessment software program that values business equipment and livestock more accurately and uniformly than ever before.

EXHIBIT 4
DATE 2/11/93
~~HB~~

- Automation of personal property valuation and assessment functions has simplified the reporting requirements for business equipment property owners. Prior to automation, owners were required to complete a detailed listing of their business equipment each year, even though most of the information may not have changed from the previous year. Automation allows the property owner to update a detailed listing mailed by the county assessor. Detailed lists or inventories identify business equipment reported by the property owner the previous year. The taxpayer may simply add or delete information on that list. This automated reporting method has saved both property owners and assessment staff considerable time and effort.

- The automation of the valuation and assessment process for business equipment and livestock will allow the department to maintain consistent and uniform valuations of personal property statewide. Automation will enable assessment staff to complete valuations faster and more accurate than ever before. This will allow staff to focus their efforts on other assessment functions that have been sacrificed in the past such as field reviews to pick up unreported property and comparisons of valuations between similar type businesses to ensure uniformity and equity.

EXHIBIT 7
DATE 2/11/93
HB 1

Department of Revenue

Property Assessment Division

Budget Issues

4. Department of Administration Computer Line Charges

The LFA current level recommendation eliminates $4,640 in each year of the biennium from the division's FY92 base for Department of Administration computer line charges. This reduction represents under funding of $12,220 in each year of the biennium for division network fees.

Reinstatement Rationale

These funds are used to pay the Department of Administration for network fees to connect the division's computers to the state mainframe network.

- Department of Administration requires all mainframe system connections to pay network fees of $40 per month per machine for communication support.
- The department currently pays $13,480 a month for computer line charges.
- Without this funding the department will be unable to pay for the operation of it's computers.

Justification

- Based on the division's current number of computers, the department needs $161,760 for each year of the biennium to pay network fees for the division.
- These computers are necessary to perform statutorily mandated reappraisal and personal property valuations.

The department requests the subcommittee to provide the necessary funding ($161,760) to pay the division's network fee charges that are being assessed by the Department of Administration for computer line charges.

EXHIBIT 4
DATE 2/11/93
HB

Department of Revenue

Property Assessment Division

Budget Issues

5. County Office Rent

The LFA current level recommendation eliminates $15,087 in FY94 and $16,152 in FY95 for county office rent.

Reinstatement Rationale

These funds are used to pay for office space for the division's appraisal offices in counties where local governments do not have office space available.

- By law county commissioners are required to provide existing office space in the county courthouse for use by the county assessor and staff, and the state appraiser and staff, if such space is reasonably available. If such space is not reasonably available in the courthouse, the department is obligated to locate and pay for necessary office space. 15-8-102(2), MCA

- The department currently pays rent in four counties; Gallatin, Madison, Prairie and Wibaux for it's appraisal staff.

Justification

- By law, the department is required to pay rent in the counties where space is unavailable in the county courthouse.

- The department has little choice but to pay for the office space that is required for it's staff.

The department requests the subcommittee to approve the Executive request to fund the necessary rent for these county offices.

EXHIBIT 4
DATE 2/11/93
HB

Department of Revenue

Property Assessment Division

Budget Issues

6. Restoration of Autos & Trucks

The LFA current level equipment recommendation for auto & truck replacement should be increased by $ 25,610 in FY94 and by $ 27,680 in FY95. We propose adoption of the OBPP recommendation.

Reinstatement Rationale

- The Property Assessment Division operates a fleet of over one hundred vehicles in 56 counties. These vehicles are used to perform field inspections, property appraisals and pick up new construction and land use changes. Many of the Division's fleet of vehicles are unreliable and unsafe.
- The Division has many vehicles with mileage well in excess of 100,000 miles. The attachment identifies 20 of those vehicles.
- The cost of a vehicle in FY92 was $ 12,000.
- Even with the adoption of the OBPP recommendation the Division will be unable to replace all of the high mileage, high maintenance vehicles. It would, however, significantly reduce the safety factor the Division currently faces.

Justification

- Adopt the OBPP budget recommendation on "Autos & Trucks". That recommendation provides $ 103,610 in FY94 and $ 105,680 in FY95.

EXHIBIT 4
DATE 2/11/93
HB

Department of Revenue

Property Assessment Division
Budget Issues

7. Office Equipment

The LFA current level recommendation eliminates $5,000 in each year of the biennium for office equipment.

Reinstatement Rationale

- The requested funds are needed to provide adequate office equipment to the division's field staff in county offices. The division needs to replace broken office equipment and provide basic equipment such as files, calculators and chairs.

- In the past the division hasn't had adequate funding for replacement or purchase of new office equipment. For fiscal years 1992 and 1993 the division was appropriated $7,500 a year for office equipment. This amounts to $132 a year for each of the division's offices. The OBPP proposes to increase the amount of funding. This increase would be $350 a year for each division office.

Justification

- The department proposes to start replacing out dated and broken equipment with these funds. The division would replace broken office furniture and ensure offices have adequate chairs, tables, filing systems, etc.

- Lack of adequate office equipment is conducive to an unsafe work environment. Such a situation could result in unnecessary law suits, worker's compensation claims, etc..

The department requests the subcommittee to approve the Executive request to fund necessary equipment upgrades in the county offices.

EXHIBIT 4
DATE 2/11/93
HB

Department of Revenue

Property Assessment Division

Budget Issues

8. <u>Funding for program maintenance and upgrades to individual county government computer systems.</u>

The LFA current level recommendation reduces the divisions funding for systems support by $12,950.

Reinstatement Rationale

- The department contracts with computer firms for maintenance and upgrades to individual county government computer systems.
- Continual alterations to software are necessary due to statutory changes by the legislature and administrative rule and policy changes by the department.
- Without this funding it would be extremely difficult for the department to ensure accurate, uniform and equitable assessments are produced.

Justification

- Funding at the level requested by the department will help to ensure that department changes affecting assessment functions are implemented at the county level and system enhancements that benefit assessment and appraisal staff are implemented as well.
- As the department and individual counties complete reconciliation of their data bases, downloading and uploading of data base information becomes more frequent. Costs associated with the electronic transfer of data base information such as the expense of tapes and diskettes used to load and transfer information will occur.
- This being a legislative year, the department anticipates additional legislation and changes that will require programming and maintenance support of county computer systems.

<u>The department requests that the subcommittee approve the executive request to fund the division's system support at $35,000.</u>

EXHIBIT 2
DATE 2/11/93
HB

Streamlining the Assessment Functions

Option 1: Maintain Only Valuation Functions; Reduce Staff

7. This option would result in minimal cutbacks in services to the public and taxing jurisdictions in each county.

Other Concerns:

Rent:

The department may be required to rent office space outside of the county courthouses. This potential rent obligation could amount to $378,800 in FY94 and $403,422 in FY95.

Computers:

This option contemplates consolidation of assessment and appraisal staff into one office. Additional computers will be needed to enhance efficiency and reduce FTE/workstation to a productive ratio. This will require the addition of 20 personal computers. This would be a one time expense in FY94 and is estimated at $24,000. Associated with additional computers is the cost of network fees (line charges) assessed by the Department of Administration. Network fees are $40 per month per computer. This expense would amount to $9,600 in each year of the biennium.

Office Equipment:

With the transfer of staff additional office equipment will be needed to offset the loss of county owned office furniture currently being used. The department would have to purchase office equipment for all of the positions that would be transfered. This would be a one time expense of $76,140 in FY94.

Termination Obligation:

The termination of state employment will require payout to terminated positions. For this analysis it is assumed that 50% of the Deputies will remain state employees.

Property Assessment Division	Requested Funds for the 1995 Biennium		
Issue	LFA	OBPP	Property
1. Restoration of Personal Services – Vacant Positions – FTE			17.10
2. Restoration of Personal Services – 5% Reduction – FTE Funds	0.00 $0	19.75 $1,025,861	19.75 $1,025,861
3. Business Equipment Valuation System	$0	$135,000	$135,000
4. Department of Administration Computer Line Charges	$299,120	$308,400	$323,520
5. County Office Rent	$42,696	$73,935	$73,935
6. Restoration of Auto & Truck Funding	$156,000	$209,290	$209,290
7. Restoration of Office Equipment Funding	$30,000	$40,000	$172,888
8. County Computer Support	$44,100	$70,000	$70,000

EXHIBIT
DATE 2/11/93
HB

EXHIBIT 5
DATE 2/11/93
HB

Property Assessment Division 02/09/93

Streamlining the Assessment Functions

Option 1: Maintain Only Valuation Functions; Reduce Staff

REDUCED COSTS:			
Salary & Benefits:		FY94	FY95
Valuation Only"			
Reduction in staff – FTE	14.30		
Salary & Benefit Savings		$611,524	$613,864
Other "Valuation Only" Reduced Costs:			
County Computer Payments		$80,000	$84,000
County Computer Software Vendor Support		$35,000	$36,750
Other Reduced Costs		$115,000	$120,750
Total Reduced Costs		$726,524	$734,614

ADDITIONAL COSTS:			
Termination Pay			
Payoff Accrued Sick & Annual Leave	26 FTE	($55,900)	$0
Division Average = $2,150 per employee			
(Assessors don't Accumulate State Sick and Annual Leave)			
- Total Additional Costs		($55,900)	$0
Total Estimated Administrative Savings		$670,624	$734,614

Facts:

1. Acknowledges potential reductions in FTE. Since reductions of assessors and deputy assessors represent only .7 FTE each, the actual number of people lost is much greater than the reduction in FTE.

2. Eliminates the assessor and deputy assessor positions from the department budget.

3. Requires the department to perform only valuation duties and responsibilities.

4. Transfers all assessment/taxation responsibilities to the county. Examples of those duties are calculation of taxes, data entry of special improvement district information, creating lists of property owners for creation of special improvement or rural improvement districts, selling hail insurance, etc.

5. Adds or deletes assessment type positions in each county using the premise that valuation is approximately 70% of the current duties in the assessor's office. Those county specific staffing adjustments were predicated on an annual workload requirement of 1,750 – 2,050 parcels per assessment (FTE) staff member. Total parcels were derived by using 20% of the total real property parcel count from the CAMA system plus the total number of assessments resident on the BEV system.

6. Contemplates at least 1 clerical FTE in every county to handle personal property valuation. Considers creating Property Tax Assistant positions in some counties to perform field reviews to discover unreported personal property.

EXHIBIT 4
DATE 2/11/93
SB

Addendum A

Functions

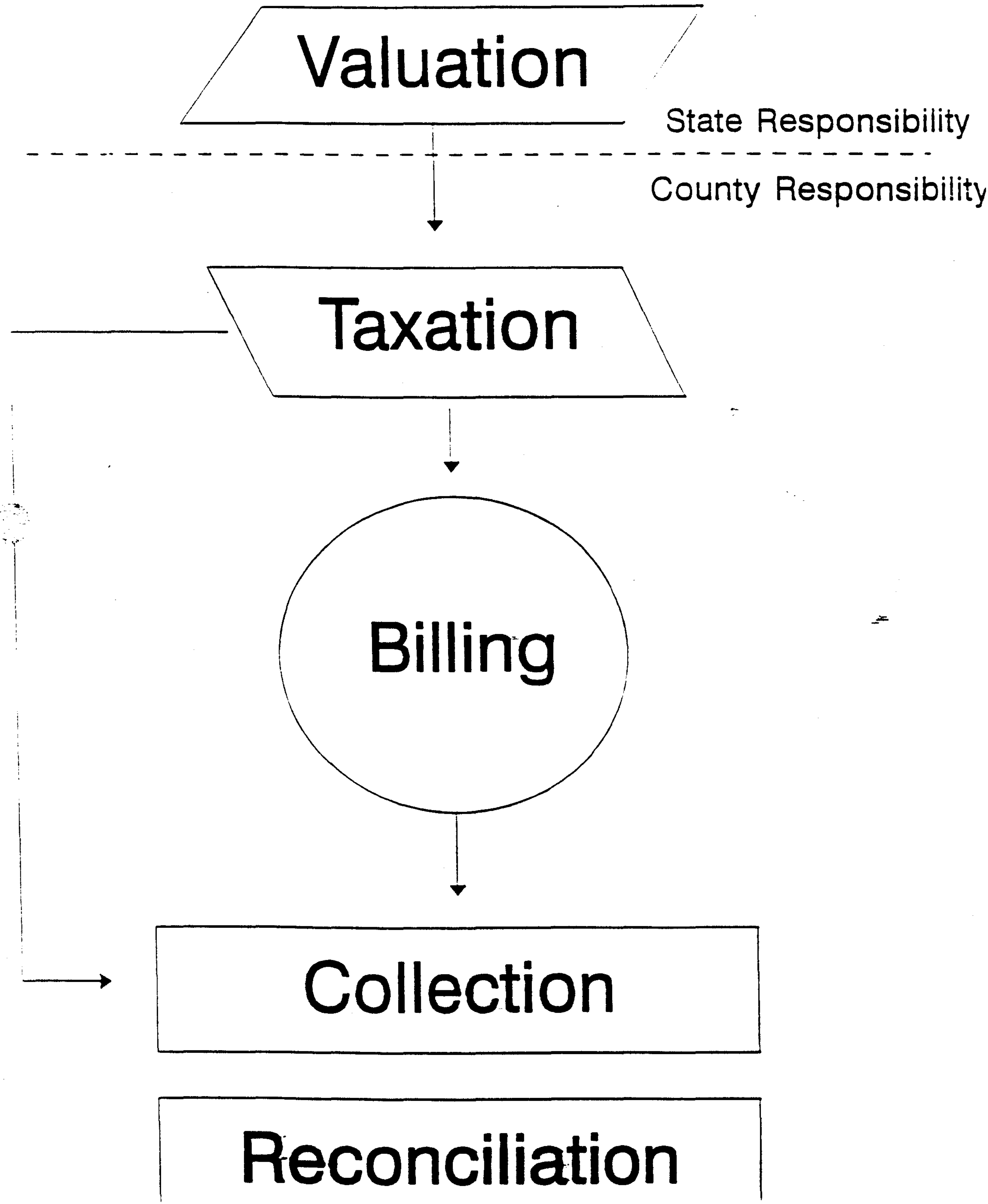


EXHIBIT ___
DATE 2/11/95
HB ___

Property Assessment Division
Streamlining the Assessment Functions
02/09/93
Option 2: Cut-Off Duties at Valuation; Adjust Workload Requirements Regionalization; Reduce Staff

		FY94	FY95
REDUCED COSTS:			
Salary & Benefits:		FY94	FY95
Valuation Only		$1,500,254	$1,500,254
Reduction in FTE	60.00		
Salary & Benefit Savings		$1,500,254	$1,500,254
Other "Valuation Only" Reduced Costs:			
County Computer Payment		$80,000	$84,000
County Computer Software Vendor Support		$35,000	$36,750
Other Reduced Costs		$115,000	$120,750
Total Reduced Costs		$1,615,254	$1,621,004

ADDITIONAL COSTS:			
Termination Pay			
Payoff Accrued Sick & Annual Leave	50 FTE	($107,500)	$0
Division Average = $2,150 per employee			
Assessors don't Accumulate State Sick and Annual Leave			
Total Additional Costs	-	($107,500)	$0

Total Estimated Administrative Savings	$1,507,754	$1,621,004

Facts:

1. Acknowledges potential reductions in FTE. Since reductions of assessors and deputy assessors represent only .7 FTE each, the actual number of people lost is much greater than the reduction in FTE.

2. Eliminates the assessor and deputy assessor positions from the department budget.

3. Requires the department to perform only valuation duties and responsibilities.

4. Transfers all assessment\taxation responsibilities to the county. Examples of those duties are calculation of taxes, data entry of special improvement district information, creating lists of property owners for creation of special improvement or rural improvement districts, selling hail insurance, etc.

5. Adds or deletes assessment type positions in each county using the premise that valuation is approximately 60% of the current duties in the assessor's office. Those county specific staffing adjustments were predicated on an annual workload requirement of 2,300 parcels per assessment (FTE) staff member. Total parcels were derived by using 20% of the total real property parcel count from the CAMA system plus the total number of assessments resident on the BEV system.

EXHIBIT 1
DATE 2/11/93
HB

Property Assessment Division
Streamlining the Assessment Functions
Option 2: Cut–Off Duties at Valuation; Adjust Workload Requirements Regionalization; Reduce Staff

6. Contemplates "regionalization" of assessment resources to handle personal property valuation. The state would be divided into 12 regions with the largest urban center designated as the contact point for assessment issues.

7. Results in the following service cut–backs:

(i) Requires some level of office closure in small sized counties. Those offices would be open 1 – 2 days per week. Medium sized and larger counties would have reduced office hours for public access and in some instances an "appointment" approach would be necessary.

(ii) Limits the ability of staff to conduct any field work on mobile homes and personal property. It further harms the ability to handle the annual ownership changes, property splits and transfers.

Other Concerns:

Rent:

The department may be required to rent office space outside of the county courthouses. This potential rent obligation could amount to $338,000 and $359,970 in FY94 and FY95 respectively.

Office Equipment:

With the transfer of staff additional office equipment will be needed to offset the loss of county owned office furniture being used. The department would have to purchase office equipment for all of the positions that would be transfered to valuation. This would be a one time expense of $33,488 in FY94.

Termination Obligation:

The termination of state employment will require payout to terminated positions. For this analysis it is assumed that 25% of the Deputies will remain state employees.

EXHIBIT 3
DATE 2/11/93
HB

5801 01 00000
DEPARTMENT OF REVENUE — Directors Office
Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	36.50	35.50	34.50	36.50	(2.00)	34.50	36.50	(2.00)
Personal Services	1,215,644	1,093,867	1,304,670	1,363,160	(58,490)	1,315,569	1,370,028	(54,459)
Operating Expenses	348,216	265,962	340,116	338,624	1,492	228,567	224,984	3,583
Equipment	13,456	13,990	24,907	25,185	(278)	12,463	10,500	1,963
Local Assistance	2,004	15,000	15,000	15,000	0	15,000	15,000	0
Total Costs	$1,579,321	$1,388,819	$1,684,693	$1,741,969	($57,276)	$1,571,599	$1,620,512	($48,913)
Fund Sources								
General Fund	890,902	745,935	1,084,522	1,038,480	46,042	1,010,285	963,131	47,154
State Revenue Fund	1,654	0	4,548	4,548	0	0	0	0
Federal Revenue Fund	150,637	180,385	118,016	174,668	(56,652)	112,427	175,073	(62,646)
Proprietary Fund	536,127	462,499	477,607	524,273	(46,666)	448,887	482,308	(33,421)
Total Funds	$1,579,321	$1,388,819	$1,684,693	$1,741,969	($57,276)	$1,571,599	$1,620,512	($48,913)

Page References

LFA Budget Analysis A-148 to A-176
Stephens Executive Budget A68 to A78

Current Level Differences

	Exec. Over(Under) LFA Fiscal 1994	Exec. Over(Under) LFA Fiscal 1995
PERSONAL SERVICES–The LFA current level is higher because it includes all positions authorized by the 1991 Legislature, including the "5% reduction" FTE (2.00 FTE for this program).	(58,490)	(54,459)
FUNDING OF INVESTIGATIONS BUREAU–The LFA current level bases the funding upon the fiscal 1992 actual funding as of year-end closing. For this program, the fiscal 1992 funding reflected a negative general fund amount, but the fiscal 1994 and 1995 are shown as zero general fund. The executive current level includes $89,341 general fund in fiscal 1994 and $88,149 general fund in fiscal 1995. This difference in the LFA current level is spread between other federal and proprietary funding sources.		
General Fund	89,341	88,149
Federal Funds	(55,505)	(62,646)
Proprietary Funds	(34,116)	(23,543)
Minor Difference	280	(1,960)
MINOR DIFFERENCES	14	3,822
INFLATION DIFFERENCES	1,200	1,724
TOTAL CURRENT LEVEL DIFFERENCES	(57,276)	(48,913)

Budget Modifications

None

Language

None

EXHIBIT 1
DATE 2/11/93
HB 7

5801 02 00000
DEPARTMENT OF REVENUE — Centralized Services Division
Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	29.02	29.65	28.68	30.27	(1.59)	28.68	30.27	(1.59)
Personal Services	625,960	643,082	761,986	788,417	(26,431)	764,878	791,403	(26,525)
Operating Expenses	121,136	106,022	113,359	97,550	15,809	113,201	97,344	15,857
Equipment	0	6,465	6,500	10,500	(4,000)	5,000	9,000	(4,000)
Total Costs	$747,096	$755,569	$881,845	$896,467	($14,622)	$883,079	$897,747	($14,668)
Fund Sources								
General Fund	747,096	755,569	881,845	896,467	(14,622)	883,079	897,747	(14,668)
Total Funds	$747,096	$755,569	$881,845	$896,467	($14,622)	$883,079	$897,747	($14,668)

	Exec. Over(Under) LFA Fiscal 1994	Exec. Over(Under) LFA Fiscal 1995
Page References		
LFA Budget Analysis A-148 to A-176 Stephens Executive Budget A68 to A78		
Current Level Differences		
PERSONAL SERVICES–The LFA current level is higher because it includes all positions approved by the 1991 Legislature, including the "5% reduction" FTE (1.59 FTE for this program).	(26,431)	(26,525)
MINOR DIFFERENCES	12,511	12,511
INFLATION DIFFERENCES	(702)	(654)
TOTAL CURRENT LEVEL DIFFERENCES	(14,622)	(14,668)
Budget Modifications		
RESTORE 5% FTE REDUCTION–This budget modification restores $36,464 general fund over the biennium and 1.00 FTE of the 1.59 FTE removed from the program current level budget request in accordance with section 13 of House Bill 13. This position, or funds associated with this position, are used to process tax receipts during peak workloads or to contract for such help.	18,220	18,220
Language		
None		

EXHIBIT 10
DATE 2/11/93
HB

5801 03 00000
DEPARTMENT OF REVENUE — Data Processing Division
Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	50.18	49.60	46.00	49.60	(3.60)	46.00	49.60	(3.60)
Personal Services	1,301,657	1,339,893	1,447,211	1,515,954	(68,743)	1,451,174	1,520,007	(68,833)
Operating Expenses	139,911	148,953	146,395	143,609	2,786	143,406	140,636	2,770
Equipment	4,348	2,214	13,578	7,590	5,988	12,691	6,235	6,456
Total Costs	$1,445,917	$1,491,060	$1,607,184	$1,667,153	($59,969)	$1,607,271	$1,666,878	($59,607)
Fund Sources								
General Fund	897,766	926,395	1,000,785	1,035,132	(34,347)	1,001,070	1,034,961	(33,891)
State Revenue Fund	75,309	72,336	85,313	86,832	(1,519)	86,505	86,818	(313)
Proprietary Fund	472,841	492,329	521,086	545,189	(24,103)	519,696	545,099	(25,403)
Total Funds	$1,445,917	$1,491,060	$1,607,184	$1,667,153	($59,969)	$1,607,271	$1,666,878	($59,607)

	Exec. Over(Under) LFA Fiscal 1994	Exec. Over(Under) LFA Fiscal 1995
Page References		
LFA budget Analysis A-148 to A-176 Stephens Executive Budget A68 to A78		
Current Level Differences		
PERSONAL SERVICES–The LFA current level is higher because it includes all positions approved by the 1991 Legislature, including the "5% reduction" FTE (3.60 FTE for this program).	(68,743)	(68,833)
MINOR DIFFERENCES	8,791	9,259
INFLATION DIFFERENCES	(17)	(33)
TOTAL CURRENT LEVEL DIFFERENCES	(59,969)	(59,607)
Budget Modifications		
RESTORE 5% FTE REDUCTION–This budget modification restores $91,657 general fund and $45,913 proprietary funds over the biennium and 3.60 FTE removed from the program current level budget request in accordance with section 13 of House Bill 2. The positions are responsible for entering tax return data in the department computer system.	68,738	68,832
Language		
None		

5801 05 00000
DEPARTMENT OF REVENUE — Liquor Division
Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	9.00	9.00	10.50	9.00	1.50	10.50	9.00	1.50
Personal Services	555,493	217,091	313,802	231,783	82,019	314,804	232,666	82,138
Operating Expenses	317,865	59,821	349,065	27,674	321,391	357,397	27,556	329,841
Equipment	30,786	0	0	0	0	0	0	0
Total Costs	$904,145	$276,912	$662,867	$259,457	$403,410	$672,201	$260,222	$411,979
Fund Sources								
Proprietary Fund	904,145	276,912	662,867	259,457	403,410	672,201	260,222	411,979
Total Funds	$904,145	$276,912	$662,867	$259,457	$403,410	$672,201	$260,222	$411,979

	Exec. Over(Under) LFA Fiscal 1994	Exec. Over(Under) LFA Fiscal 1995
Page References		
LFA Budget Analysis A-148 to A-176 Stephens Executive Budget A68 to A78		
Current Level Differences		
PERSONAL SERVICES–The LFA current level is lower than the executive current level by 1.50 FTE. This is the net difference of two items. First, the LFA current level includes .50 FTE ("5% reduction" FTE) not in the executive current level. Second, the executive current level includes 2.00 FTE which are not in the LFA current level because the LFA analysis moves the FTE to the language appropriation budget (Purchasing Program) to make the Liquor Division FTE budget agree with how it was appropriated for the 1993 biennium.	82,019	82,138
OPERATING EXPENSES–The LFA current level is lower than the executive because it includes only the operating costs of the Liquor Division Licensing Bureau that are included in SBAS responsibility center 50300. The executive includes additional costs which apparently relate partially to the two FTE (and related program) mentioned above.	321,391	329,841
TOTAL CURRENT LEVEL DIFFERENCES	403,410	411,979

Budget Modifications

None

Language

LANGUAGE APPROPRIATION FOR THE LIQUOR DIVISION–(See page A-158 of the LFA Budget Analysis for narrative describing this language issue.)

LANGUAGE CONCERNING PREFERENCE RIGHT TO RENEW–The 1991 Legislature added language that states: "An agent operating a state agency liquor store has the preference right to renew the agent's agency agreement by accepting the terms of the request for bids as those terms existed before January 1, 1991, and by meeting the highest bid made by any other applicant. Those agency agreements that contain renewal options must be honored according to the terms of the agency contract and request for bids in existence prior to January 1, 1991."

EXHIBIT 12
DATE 2/11/93
HB

Department of Revenue
Liquor Division

<u>Options for language appropriation</u>

OPTION 1 - Consistent with current appropriation structure for Liquor Division (Licensing Bureau appropriated separately as line item).

"Liquor Division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor program are appropriated <u>in amounts not to exceed $50,662,000 in fiscal 1994 and $52,765,000 in fiscal 1995</u>. During the 1995 biennium, the division shall attempt to return at least 10 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 the net sales. Operational expenses may not include product costs, freight charges, expenses allocable to other divisions, or licensing bureau expenses."

OPTION 2 - Returns appropriation structure for Liquor Division to the way it was prior to the current biennium (Licensing Bureau appropriated in the language appropriation.

"Liquor Division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor program are appropriated <u>in amounts not to exceed $52,474,000 in fiscal 1994 and $54,578,000 in fiscal 1995</u>. During the 1995 biennium, the division shall attempt to return at least 10 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 the net sales. Operational expenses may not include product costs, freight charges, expenses allocable to other divisions, or licensing bureau expenses."

EXHIBIT 13
DATE 2/11/93
HB

5801 06 00000
DEPARTMENT OF REVENUE — Income Tax
Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	116.79	121.40	119.99	125.15	(5.16)	119.99	125.15	(5.16)
Personal Services	2,802,409	2,916,977	3,196,051	3,348,131	(152,080)	3,204,439	3,356,263	(151,824)
Operating Expenses	1,444,833	1,444,422	1,409,031	1,372,142	36,889	1,360,128	1,331,655	28,473
Equipment	64,496	42,393	72,561	62,561	10,000	52,971	40,154	12,817
Total Costs	$4,311,738	$4,403,792	$4,677,643	$4,782,834	($105,191)	$4,617,538	$4,728,072	($110,534)
Fund Sources								
General Fund	3,918,451	4,003,662	4,197,643	4,374,155	(176,512)	4,137,538	4,319,598	(182,060)
State Revenue Fund	393,287	400,130	480,000	408,679	71,321	480,000	408,474	71,526
Total Funds	$4,311,738	$4,403,792	$4,677,643	$4,782,834	($105,191)	$4,617,538	$4,728,072	($110,534)

Page References

LFA Budget Analysis A-148 to A-176
Stephens Executive Budget A68 to A78

Current Level Differences

	Exec. Over(Under) LFA Fiscal 1994	Exec. Over(Under) LFA Fiscal 1995
PERSONAL SERVICES–The LFA current level is higher than the executive because it includes all positions funded by the 1991 Legislature, including the "5% reduction" FTE (5.16 FTE for this program).	(152,080)	(151,824)
HOUSE BILL 14 & HOUSE BILL 959–The following differences relate to methodology used to continue fiscal 1992 actual expenditures resulting from House Bills 14 & 959 of the 1991 session. The LFA removed the actual expenditures from fiscal 1992, but added back the amounts that would be ongoing costs of those bills. The executive fiscal 1992 actual expenditures retained the total costs related to the two bills, and continue that level of expenditure into the fiscal 1994 & 1995 current level. Thus, the LFA current level is lower than the executive.		
– Computer Processing	19,707	9,707
– Printing	12,604	12,604
– Office Supplies	7,174	7,174
– Telephone Equipment Charges	4,086	4,086
MINOR DIFFERENCES	8,943	11,760
INFLATION DIFFERENCES	(5,625)	(4,041)
FUNDING DIFFERENCES–The LFA current level is lower than the executive for general fund support of the Business Tax Bureau. The executive offsets $90,000 of general fund each year of the biennium with cigarette tax revenue in the Income Tax Division. Current law allows the department to deduct collection expenses from gross receipts (section 16-11-119, MCA). The LFA current level continues the general fund support for the 1995 biennium in the same proportion as appropriated in the 1991 regular session. (See titled "Funding Switch on page A-158 of LFA Budget Analysis.)		
–General Fund	(90,000)	(90,000)
–State Special Revenue Funds	90,000	90,000
TOTAL CURRENT LEVEL DIFFERENCES	(105,191)	(110,534)

Budget Modifications

	Fiscal 1994	Fiscal 1995
RESTORE 5% FTE REDUCTION–This budget modification restores $201,297 general fund over the biennium, and 3.46 FTE of the 5.16 FTE removed from the program current level budget request in accordance with section 13 of House Bill 2. The budget modification would restore field auditors.	100,469	100,828
CIGARETTE TAX FUNDING/STAMPS–This budget modification would add $45,000 in state special revenue funds over the biennium to design and print thermally-applied cigarette stamps. Currently, cigarette packages are stamped with ink impressions by machines. Pitney Bowes has announced that it will withdraw its support for the machines within the next five years. The modification will allow the division to begin conversion from inked to thermally applied stamps. The budget modification anticipates that the state will provide the stamps free of charge. The legislature may want to ask the department to address the option of charging wholesalers for stamps to cover design and printing costs.	15,000	30,000

Language

None

EXHIBIT 14
DATE 2/11/93
HB 2

5301 07 00000 DEPARTMENT OF REVENUE Program Summary			Corporation Tax					
Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	34.50	35.00	32.70	35.00	(2.30)	32.70	35.00	(2.30)
Personal Services	1,030,014	1,083,822	1,109,062	1,168,542	(59,480)	1,111,905	1,171,469	(59,564)
Operating Expenses	397,638	392,816	414,319	408,936	5,383	420,594	413,530	7,064
Equipment	25,391	2,410	12,315	12,124	191	11,726	10,667	1,059
Total Costs	$1,453,044	$1,479,048	$1,535,696	$1,589,602	($53,906)	$1,544,225	$1,595,666	($51,441)
Fund Sources								
General Fund	1,247,010	1,272,464	1,322,436	1,372,321	(49,885)	1,329,561	1,376,840	(47,279)
State Revenue Fund	66,259	68,137	59,459	62,413	(2,954)	59,611	62,675	(3,064)
Federal Revenue Fund	139,775	138,447	153,801	154,868	(1,067)	155,053	156,151	(1,098)
Total Funds	$1,453,044	$1.479,048	$1,535,696	$1,589,602	($53,906)	$1,544,225	$1,595,666	($51,441)

	Exec. Over(Under) LFA Fiscal 1994	Exec. Over(Under) LFA Fiscal 1995
Page References		
LFA Budget Analysis A-148 to A-176 Stephens Executive Budget A68 to A78		
Current Level Differences		
PERSONAL SERVICES–The LFA current level is higher because it includes all positions funded by the 1991 Legislature, including the "5% reduction" FTE (2.30 FTE for this program).	(59,480)	(59,565)
OUT-OF-STATE LODGING–The LFA current level is lower than the executive current level because the LFA analysis uses the fiscal 1992 actual expenditures which are inflated 3.3 percent for fiscal 1994 and 6.5 percent for fiscal 1995, while the executive request indicates an expected increase of 10.7 percent.	5,002	5,002
MINOR DIFFERENCES	(1,160)	(290)
INFLATION DIFFERENCES	1,732	3,412
TOTAL CURRENT LEVEL DIFFERENCES	(53,906)	(51,441)
Budget Modifications		
ROYALTY AUDIT FTE–This budget modification would add 1.0 FTE and $75,384 federal funds over the biennium to expand the federal royalty audit function in the Corporate Tax Division. The FTE and authority were originally added by budget amendment in fiscal 1993. This FTE would concentrate on solid mineral audits, with an emphasis on coal royalty audits.	37,670	37,714
RESTORE 5% FTE REDUCTION–This budget modification restores $119,058 general fund over the biennium and 2.3 FTE removed from the program current level budget request in accordance with section 13 of House Bill 2. The positions restored are two 0.65 auditor FTE and 1.0 clerical FTE.	59,488	59,570
Language		
None		

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

GEN. GOV. & HWYS. SUBCOMMITTEE DATE 2/11/93

DEPARTMENT(S) REVENUE DIVISION

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JACK ELLERY	DOR	
Gary Blewett	DOR	
BRENDA HASEMAN	DOR	
LYNN Chenoweth	DOR	
Marian Olson	Mt. Assessor Assoc.	
Russ Hyatt	DOR	
Ken Morrison	"	
Gordon Morris	MACo.	
Cece Pohle	Mt. Assessor Assoc.	
Kim L. Collins	MT. Assess. Assoc.	
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