MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - SPECIAL SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **REP. MARY LOU PETERSON, CHAIRMAN,** on Thursday, November 18, 1993, at 8 a.m.

ROLL CALL

Members Present:
Rep. Mary Lou Peterson, Chairman (R)
Sen. Harry Fritz, Vice Chairman (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: Jonathon Moe, Legislative Fiscal Analyst
Terri Perrigo, Legislative Fiscal Analyst
Clayton Schenck, Legislative Fiscal Analyst
Dan Gengler, Office of Budget & Program Planning
John Patrick, Office of Budget & Program Planning
Pat Bennett, Committee Secretary

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

Committee Business Summary:

Hearing:
Secretary of State
Dept. of Military Affairs
Board of Crime Control
Highway Traffic Safety Division
Department of Justice
Department of Revenue
Department of Administration
Governor's Office

Executive Action:
Judiciary
State Auditor
Legislative Branch
Commissioner of Political Practices
Transportation

EXECUTIVE ACTION ON JUDICIARY

MOTION/VOTE: **REP. QUILICI** moved to accept Judiciary's executive budget proposal. Motion **passed** unanimously.

EXECUTIVE ACTION ON STATE AUDITOR

MOTION: REP. FISHER moved to accept the State Auditor's executive budget proposal.

Discussion: **Ms. Perrigo** said if the executive budget proposal is approved, only recommendation #3 would show as a reduction in the State Auditor's budget. Therefore, the Committee must approve contingency language for #1, 2 & 4.

REP. QUILICI asked if the recommendations, excluding #3, are contingent upon the passage and approval of pending legislation for the State Auditor's Office. **Ms. Perrigo** confirmed.

MOTION/Vote: **REP. FISHER** moved to **amend** her previous motion to include contingency language. Motion **passed** unanimously.

Discussion: **Ms. Perrigo** reminded the Committee of a request made during the State Auditor's hearing regarding additional contingency language giving them the ability to put a budget amendment in the budget amendment bill.

Dave Hunter said that was correct because they can not estimate what the costs will be or what the level of participation of counties will be. The costs are already covered by the 12% charged to counties, the State Auditor's Office would just need spending authority for whatever the 12% amounted to. He requested language which would direct the State Auditor's Office to bring a budget amendment to the regular session to be included in the budget amendment bill.

Ms. Perrigo asked **Mr. Hunter** if the authority would be to spend the 12% or to send it back to counties.

Mr. Hunter answered that it would be to spend the 12% which is collected from the counties to cover administrative costs.

MOTION/Vote: **SENATOR TVEIT** moved to allow contingency language put into the budget bill. Motion **passed** unanimously.

EXECUTIVE ACTION ON LEGISLATIVE BRANCHES

Discussion: **CHAIRMAN PETERSON** informed the Committee that the

Legislative Branch proposal has two parts: the executive budget recommendation for the Legislative Auditor and the options presented the Legislative Branch agencies. The executive budget is contingent upon passage of LC27, the bill which would move the Local Government Audit & Review function from the Department of Commerce (DOC) to the Legislative Auditor's Office, therefore acceptance of the executive budget proposal would require contingency language.

MOTION/Vote: **SENATOR TVEIT** moved to accept the Legislative Branch budget and executive budget proposals along with the necessary contingency language. Motion **passed unanimously.**

EXECUTIVE ACTION ON LEGISLATIVE BRANCHES

ADDITIONAL BUDGET REDUCTION OPTIONS

Discussion: **CHAIRMAN PETERSON** referred to page A3 of the LFA Budget Analysis. The Legislative Branch has collectively offered additional budget reduction options. There are 12 options which need to be accepted or denied. **Ms. Perrigo** gave a brief overview of each reduction option.

EXECUTIVE ACTION ON LEGISLATIVE BRANCHES

BUDGET REDUCTION OPTIONS

MOTION: **REP. FISHER** moved to accept the Legislative Branches' additional budget reductions. (Table 3 on page A3, LFA Budget Analysis.

Discussion: **SENATOR TVEIT,** referring to options 8 and 10, asked if this reduction would eliminate the National Conference of State Legislatures (NCSL) Funds and the Pacific Northwest Economic Region (PNWER) Funds.

Bob Person, Director, Legislative Council, said it would eliminate the remainder of the NCSL and PNWER Funds. The Council deferred the payment of PNWER dues for 1994 pending the outcome of this special session.

SENATOR TVEIT asked what information in contained in the Environmental Quality Council's (EQC) annual report.

Deborah Schmidt, EQC, said the annual report was adopted as one of the requirements of EQC in 1971. It requires the staff to report on the condition in trends and the quality of the state's environmental problems and recommendations. During the last session Senator Lynch introduced a bill to eliminate paperwork and the requirement for the annual report was inadvertently eliminated in the bill. At EQC's first meeting of the biennium the Council determined that it was beneficial for the Council to continue producing the report. However, since then, the EQC has lost one FTE and the annual report has become a lower priority. She noted that Rep. Jody Bird and Rep. Vicki Cocchiarella were present to address this option.

REP. VICKI COCCHIARELLA, House District 59, Missoula, said as members of the Council, they determined the priorities of requirements. The temporary elimination of the annual report was adopted.

SENATOR TVEIT asked what is contained in the annual report and if it is necessary for future assistance.

REP. COCCHIARELLA said the annual report is a pool of all the information gathered throughout the year. Without the annual report the information will still be accessible, just not combined within a report.

CHAIRMAN PETERSON informed the Committee that the proposed reductions are only one-time reductions. She asked if the Legislative Auditor's Office would be cutting themselves short.

Mary Bryson, Legislative Auditors Office, (OLA), stated at the end of the fiscal year 1993, they were able to accrue some contracts. The line items within their budget that are contracted out have occurred, therefore they will not need the money for these items. Options 1, 4 & 3 would need to be restored during the next session.

REP. QUILICI said he would want 7 & 10 left alone. Every state entity has a national organization which they belong to. He stated the legislature receives a lot of support from the NCSL. The NCSL is presently meeting with President Clinton to hold discussions about the Pacific Rim and Montana.

Ms. Perrigo noted that if option 10 was left in tact, it would leave a remainder of $14,909 for the dues which are $15,000.

REP. QUILICI said the NCSL would have to accept whatever was offered for dues. He said his intention is to partially pay the dues so that if legislators wanted to participate in NCSL activities they could, but would have to pay their own travel expenses.

MOTION: **REP. QUILICI** made a substitute motion to delete options 7 & 10 from the original motion.

MOTION/Vote: **REP. QUILICI** amended his substitute motion to delete options 7 & 9 from the original motion. Motion **failed** with Senator Fritz, Rep. Fisher and Rep. Peterson opposing.

Vote: Original motion **failed** with Senator Tveit, Senator Fritz and Rep. Quilici opposing.

MOTION/Vote: **SENATOR FRITZ** moved to accept options 1 thru 5. Motion **passed**.

MOTION/Vote: **REP. FISHER** moved to accept option 6. Motion **passed** with Senator Fritz opposing.

MOTION/Vote: **REP. FISHER** moved to accept option 11 & 12. Motion **passed** unanimously.

Discussion: **SENATOR TVEIT** asked Mr. Person how beneficial NCSL is to the legislature and the state.

Mr. Person said these interstate organizations are vital to the welfare of the states. If Montana wants to cut itself from other states, it would get virtually nothing out of these organizations. On the other hand, if the legislature wants to invest themselves in the activities of these organizations and bring it back to the state, the state will benefit. Discussions held on the relativity of taxation has relied on work done by NCSL in comparative state finance over the years.

CHAIRMAN PETERSON asked how damaging it would be if the dues were not paid, could the membership be reinstated next session.

Mr. Person said these organizations are lenient with Montana. Montana has not been very good participants or reliable members and yet they have given Montana their full service. He stated it is because they understand the situation in Montana.

REP. QUILICI expressed a strong need for participation in NCSL, using the national health care concerns as an example.

SENATOR TVEIT asked if the remaining NCSL funds could be used for travel.

Mr. Person said the remaining NCSL funds are for travel and salaries. The PNWER appropriation was less than the dues for two years. The Council paid for one of the two years so there would be money left to cover travel. The same is true for the NCSL appropriation, although the $125,000 appropriation would actually cover one years dues and travel and part of the next years dues.

MOTION/Vote: **SENATOR TVEIT** moved to accept half of option 8 & 10. Motion **failed** with Senator Fritz, Rep. Fisher and Rep. Peterson opposing.

CHAIRMAN PETERSON, for clarification, informed the Committee that options 7,8, 9 & 10 would go without Committee recommendation.

EXECUTIVE ACTION ON COMMISSIONER OF POLITICAL PRACTICES

MOTION: **REP. QUILICI** moved to accept the budget proposal for the

Commissioner of Political Practices.

Discussion: **Mr. Moe** informed the Committee that item 1 does not require a vote because it is up for legislation. The item under Options/Issues on page A19 of the LFA Budget Analysis needs Committee consideration as a matter of direction rather than authority.

REP. QUILICI asked Ed Argenbright to comment on the price increase for campaign finance reports.

Ed Argenbright, Commissioner of Political Practices, said the increase would not be in effect until after the 1994 elections. The Task Force Committee will be looking at alternatives and will have the necessary information by the next session. He said the price increase would be appropriate.

MOTION/Vote: **REP. QUILICI** moved to accept item 1 under Options/Issues on page A-19 of the LFA Budget Analysis. Motion **passed** unanimously.

EXECUTIVE ACTION ON DEPARTMENT OF TRANSPORTATION

Discussion: **Mr. Moe** informed the Committee that there were not any executive budget proposals for Transportation.

MOTION/Vote: **REP. QUILICI** moved to accept the Department of Transportation's budget. Motion **passed** unanimously.

SECRETARY OF STATE

Informational Testimony: **Mr. Moe** gave a brief overview of the Secretary of State's budget proposal. (Page A15-A17, LFA Budget Analysis)

Doug Mitchell, Secretary of State's Office, (SOS) said they are proposing an 11% reduction in general fund. **EXHIBIT 1** Regarding the fireproof storage, an architectural study revealed that the shelving should not be put in. The structure of the capitol building will not allow for this type of shelving.

Questions from Subcommittee Members and Responses:

SENATOR TVEIT expressed concern regarding the safety of documents held by the Secretary of State's Office.

REP. FISHER asked how many of the documents are used on a daily basis.

Mr. Mitchell said a substantial number of files are stored in a safe in the basement of the capitol building. The files in the office are used at least once a year, most of which are used throughout the year.

REP. FISHER asked if it would be possible to lease space for the dead files, allowing more space in the basement for those frequently used.

Mr. Mitchell said leasing space is an option which is why $47,000 is being left alone in the event they are able to come up with an alternative. They are also making operational changes which would require less use of each file. If there was less need for each file, they could be stored in the basement.

REP. QUILICI asked how much the study cost.

Mr. Mitchell said the cost of the study was $800.

SENATOR TVEIT said the line item amount is for fireproof cabinets. If some other method is chosen, would SOS require contingency language for flexibility?

Mr. Mitchell answered that they do not know what direction they will go, therefore they would prefer to go before an interim committee when they do know.

SENATOR TVEIT asked **Mr. Mitchell** to comment on methods of retaining information and methods of transferring documents through modems.

Mr. Mitchell said they are still seeking a long-term method of storage and eventually would look into digital computerization of storage onto optical disks. Another option would be microfilming documents. Micro film has become an interim technology and requires more manual labor than an optical disk would. If data is stored onto an optical disc as it comes into the office, the office could greatly increase its efficiency. The digital computerization has been a consideration since 1989, however SOS does not have the data processing staff to research this method. He said they have been working with ISD. If this information is stored onto optical disks, the original material could be stored anywhere. This information could also be easily accessed through computer modems. The microfilm method would cost approximately $500,000. The optical disc system would require less FTE and would provide a long-term solution, but would cost approximately $8 million. **Mr. Mitchell** said they grapple with the issue of what is best in the short and long terms. The office is bound by the lack of computer staff.

DEPARTMENT OF MILITARY AFFAIRS

Informational Testimony: **Mr. Moe** gave a brief overview of the Department of Military Affair's budget proposal. (Page A43-A44, LFA Budget Analysis)

Adjutant General Gene Prendergast, Department of Military Affairs, (DMA), said they have agreed to the budget proposals. With regard to the Air Guard reduction, there is a concern of future federal funds being lost.

Questions from Subcommittee Members and Responses:

REP. QUILICI asked if the Department could live with the budget or would it hurt the National Guard or Air Guard in any way.

General Prendergast said his office could live with the proposal, but there is a concern about the federal funds.

SENATOR TVEIT asked for more information regarding the federal matching funds and how could this budget proposal affects future federal funds for the Air National Guard.

Colonel Schlick said the immediate impact is a $16,000 reduction which would equate to $48,000 of federal funds. This reduction could lead to a further reduction of funding or show a disinterest from the state to keep the Air Guard viable and could ultimately lead to closure. He stated they have been ordered to make the reductions and will do so based on those orders. The total operating and management budget for the Air Guard is $1.6 million of which $1 million is federal funding. The remainder, approximately $481,000 is the operating budget which is split 75% federal funds and 25% state funds. In conclusion approximately $160,000 general fund supports the Air Guard operation.

REP. QUILICI asked if the proposed reduction in maintenance could affect the safety of personnel.

Colonel Schlick said obvious repairs such as stairways in need of repair would be made. This reduction would affect, for instance, utilities conservation or reduced security lighting. There may be a reduction in contractual services which would be borderline on safety. As an example, snow removal would be done on the front side of a unit but not on the backside. He stated that tough decisions will need to be made.

SENATOR FORRESTER questioned whether the proposed reductions should be made and said he sensed the Department is not in agreement with the order to cutback.

General Prendergast said there was a lot of thought process in the cutbacks. The Air Guard had not received the cuts last session that others had and it was the only area left to take cuts.

CHAIRMAN PETERSON asked for an update on the Department's license plate program.

Jim Jacobson, Veteran's Affairs, said it has done well. There is an expected $70,000 from license plates for 1993 which is $40,000 more than the previous year. The proceeds will help build storage sheds at the veteran's cemetery. The cemetery operation is supported by the license plates sales. There are video tapes being produced to inform the public of the cemetery along with other fundraising efforts made by the Thrift Shop at Fort Harrison and by a bike-a-thon.

CHAIRMAN PETERSON asked for an update on the maintenance repair program.

General Prendergast said the Southwest Asia Repair Program is complete. He informed the Committee that as soon as the President approves the defense budget, the Med Ready Program at the Northern Cheyenne Indian Reservation will be implemented. The Air National Guard has been working with the Flathead Reservation. The Northern Cheyenne program will be the pilot program for the nation. There are other programs being considered such as the Youth at Risk Program and a counter drug program.

BOARD OF CRIME CONTROL

Informational Testimony: **Mr. Moe** gave a brief overview of the budget proposal for the Board of Crime Control. (Page A24 & 25, LFA Budget Analysis)

Ed Hall, Director, Board of Crime Control, announced that the Department received a plaque for 25 years of service at the National Meeting by the Department of Justice's Bureau of Justice Assistance. This is the first plaque to be given out for implementing various crime control and safe street acts for over the 25-year period. The crime bill changes daily, but will be focusing on prevention, community policing, and on violence in families, schools and streets. Regarding budget cuts, they are determined that capping the crime victim fund would not deny any victim of benefits. He stated that with the transfer of $250,000 for 1994, along with the expected expenditures, a balance of $316,000 is expected at the end of 1994 and $366,000 at the end of 1995. This is a sufficient amount of money to provide victims the benefits they are entitled to. There needs to be one contingency. Federal funds are awarded each year for crime victim's compensation, in the event federal funding is lost, there would need to be contingency language allowing the cap to be removed. There is a bill being drafted and this language will be included. The victim compensation claims have been increasing but have been sufficiently covered with the revenues from fines and forfeitures along with federal money.

Questions from Subcommittee Members and Responses:

REP. QUILICI acknowledged that he had submitted a bill drafting request for legislation to allow the cap to removed if federal funding is lost. He was the sponsor for the victim crime bill and has dedicated a lot of time to it. The job will still be done in this area even with the cap.

SENATOR FRITZ asked why this money is accruing faster than it is being given out.

Mr. Hall said only those victims who are injured are eligible for benefits, however, not all apply and not all who do apply are eligible because they contributed to whatever injury they suffered. Benefits are secondary to other payers and most victims have their own insurance.

HIGHWAY TRAFFIC SAFETY DIVISION

Informational Testimony: **Mr. Moe** gave a brief overview of the budget proposals for the Highway Traffic Safety Division. (Page A26 & 27, LFA Budget Analysis)

REP. FISHER distributed a copy of a letter she received from the American Bikers Aiming Toward Education (ABATE). **EXHIBIT 2**

Al Goke, Service Administrator, Highway Traffic Safety Division, Department of Justice, gave the Committee a review of his Division's programs and budget proposals. **EXHIBIT 3**

Questions from Subcommittee Members and Responses:

CHAIRMAN PETERSON asked if the first $50 allows for the use of intoxilizers.

Mr. Goke said the first $50 covers the use of intoxilizers. The law provides that DOJ has statutory authority to use up to and no more than $50,000 to purchase DUI testing equipment. There are 72 intoxilizers which the state maintains at the present time.

CHAIRMAN PETERSON asked if there are more task forces being formed.

Mr. Goke said for a long time the number of task forces stabilized around 20, however, this year it has risen to 22. Those counties who have chosen to participate at this time are those where the remainder of money is anything but insignificant. A county that would be left with less than $5,000 in a year would be making a conscientious decision at a time when this amount is not enough to be involved in the process.

SENATOR FORRESTER asked if there are more tickets for DUIs written in counties where there are task forces in tact.

Mr. Goke said there is certainly a correlation between citations written and eventual public attitude and actions. He said he encourages counties to find the level of arrests which seems to create some level of deterrence.

SENATOR FRITZ asked how the level of deterrence is determined.

Mr. Goke answered that they took national research to determine what that number is. They found that 1.5% of the driving population arrested per year is enough to create a deterrence. There are approximately 650,000 licensed drivers in Montana, with 7,400 convictions per year statewide.

CHAIRMAN PETERSON, Chairman, called on a member of the DUI Task Force to speak on the functions of the task force and the progress being made.

Rich English, Chairman, Jefferson County DUI Task Force, said the task force is made up of volunteers. These volunteers are involved in promotions and education in schools, as well as the general public, for DUI problems. The task force also addresses minor possession problems. The task force has received donations from insurance companies and other various corporations to provide cameras for the sheriff's and patrol cars. In addition, they have worked with bars and liquor store in educating them on how to detect fraudulent identification cards, how to recognize a minor, etc., to deal with the minor possession problems. They are made aware of possible sting operations which will bring prosecution upon the juvenile and also the provider. It will be difficult to continue this program without funds.

DEPARTMENT OF JUSTICE

Informational Testimony: **Mr. Moe** gave a brief overview of the budget proposal for the Department of Justice. (Page A28-A30, LFA Budget Analysis)

Joe Mazurek, Attorney General, Department of Justice, (DOJ), updated the Committee on the Department's progress. **EXHIBIT 4** The Worker's Compensation Fraud Unit is going well. There are 4 agents, one each in Billings, Missoula, Great Falls and Kalispell who are presently investigating about 60 cases. If the prosecutions are successful, there will be approximately $2.3 million of recovery potential. Based on the Governor's budget proposal, the Department would be facing 28% of the total reductions in 1994 and 12.8% of the cuts in 1995. He stated he felt this was disproportionate to DOJ's share of the total budget. DOJ does not support the elimination of driver services from 37 communities. **EXHIBITS 5 & 6** This would result in 15% of Montanans having to travel outside their community to renew their drivers license. There are the elderly who are tested for special, limited driving privileges. These people are restricted to what hours they may drive, the routes they can drive, etc. The remaining stations would be required to pick up a larger volume, creating long lines. There is a concern that there will be a loss of revenue. People will be taking their chances driving without a valid license, rather than being inconvenienced. In 1991 the fee was raised from $12 to $16 for the express purpose of providing services. There have been no complaints regarding the increase because people have received the level of service they want. He recommended that if the 37 stations are to be closed, then the fees should be reduced back to the $12. **Attorney General Mazurek** assured the Committee that if they do not close the station, DOJ will report back to the next legislature with a plan where cuts could be made and yet maintain services. Some possibilities being considered are: contracting with local governments or the private sector and selecting a longer renewal period. There have been reductions in FTE's in the Motor Vehicle Division over the past few years. In 1992 there were 76 FTE and now there are 55.5 FTE. He stated they would like the opportunity to achieve the same accomplishments in the driver's license services. Regarding proposed reductions, there is general fund which may be reduced, however, the Department would request spending authority for federal funds. **EXHIBIT 7** **Attorney General Mazurek** stated there was a great concern with the level of officer retirements within the Highway Patrol. There is a need to implement a Highway Patrol Recruit School in FY95 which will cost approximately $170,000. The other budget request addresses the backlog of fingerprints and dispositions. He requested spending authority of federal funds to temporarily hire two to three people to input this data. He also distributed information about the DARE program. **EXHIBIT 8**

Questions from Subcommittee Members and Responses:

CHAIRMAN PETERSON expressed a dissatisfaction with the medical demands made by prison inmates and recommended that a change be made to only make emergency medical accommodations.

Attorney General Mazurek said the Department is researching managed care programs and is making efforts in containing those costs.

SENATOR FORRESTER asked what DOJ's share is to fund the Governor's budget office.

JanDee May said DOJ's share is $15,000 in 1994 and $30,000 in 1995. DOJ is in the top six percentile.

CHAIRMAN PETERSON asked about the changes in issuing drivers licenses. There is concern that the special-license people, such as bus drivers, will have to disrupt their work schedule to be tested.

Attorney General Mazurek said one of the problems with losing stations is that the special license people will have to travel to be tested.

SENATOR TVEIT asked **Colonel Griffith** to comment about the two-plate system versus the single license plate.

Colonel Griffith said the two-plate system is one of the most effective and least expensive law enforcement tools available. The patrolmen on the road are very adamant about a two-plate system. Most violations for nonregistration or out-of-state registration are made as the patrolman meets the vehicle, not from behind. The result of going to one plate will be a decline in registrations. The county will suffer this loss of revenue. There have been over 20,000 warnings issued on registrations and over 4,000 people cited in court.

CHAIRMAN PETERSON asked if the Colonel prefers to address the recruiting school issue during this special session or if it is for next session.

Colonel Griffith said he feels it should be dealt with right away.

DEPARTMENT OF REVENUE

Informational Testimony: **Mr. Moe** gave a brief overview of the budget proposals for the Department of Revenue (DOR). (Page A33-A35, LFA Budget Analysis)

OPTION 1
Natural Resource and Corporate Tax Division

Mick Robinson, Director, Department of Revenue, (DOR), said the method DOR is proposing to use is similar to the one used in the past where the budget reduction is directly related to the funding source. There is general funded effort in the Natural Resource and Corporation Tax Division that is connected with collecting dollars that are not general fund dollars. There is a mechanism in place used to determine a percentage of the non-general fund tax collections to be withheld.

Don Hoffman, Bureau Chief, Natural Resource Bureau, DOR, gave his presentation. **EXHIBIT 9**

Lynn Chenowith, Bureau Chief, Corporation Tax Bureau, DOR, said they have identified that part of their budget which relates to providing services for non-general fund purposes. Approximately 6% of the corporation tax budget, amounting to $49,000, is related to non-general fund activity. This activity is related to the financial institution tax. Banks pay a corporate license tax to the State of Montana annually. These returns are audited and 80% of that money is distributed to the counties with financial institutions.

Questions from Subcommittee Members and Responses:

SENATOR FORRESTER said he sees this method as an attempt to escape some pervue and asked why DOR wants to change the system currently used.

Mr. Robinson answered that DOR has never been to terms with operating under the general fund. If DOR is to make reductions in their budgets it would be very difficult to retain any level of service with those reductions. The audit returns brought in by the Resource & Tax Division are benefiting other agencies and not the general fund for the State of Montana. If there was a way to structure the fee-for-service arrangements so they would fall under the general fund, it would be fine. However, in terms of the mechanism for how you would accomplish that, it is very difficult. He stated he has always opposed special revenue funds because discretion in terms of the legislature is very limited at the state level.

REP. QUILICI noted that under this mechanism there was a possibility of the school equalization account losing $99,000 FY95 and $50,000 FY94. The guaranteed tax base is $9 million less than projected for FY94 and, as a result, school equalization will be looking at an $18 million shortfall.

Mr. Robinson said they looked at the impact being made on the school equalization account and took into consideration that the general fund and school equalization account are one of the same. He said they took the net general fund reduction for the biennium of $662,000 less $178,000. The way those two accounts work together is that the general fund subsidizes the school equalization account if that account does not have enough revenue. The net general fund impact of this proposal is $484,000. Although there is a savings, there is a requirement that the $178,000 be covered.

Mr. Gengler, referring to **SENATOR FORRESTER'S** concern about the funding mechanism proposal, said that if the Committee chose to they could stick to the same principal that every revenue source should pull its own weight, but then deposit those funds into the general fund rather than the state's special revenue account. The cost recovery would remain the same.

SENATOR FORRESTER asked why there is a need for accountability.

Mr. Gengler said it was simply an attempt so that cost recovery could receive greater clarity in the process. It was a consideration the executive budget gave to this issue.

SENATOR FORRESTER asked if the counties agree to pay for a portion of what is done in Helena.

Mr. Robinson said it goes back to theory DOR has operated under. DOR has a significant general fund and is it appropriate to have the general fund absorbing all the administrative costs for the tax sources being collected and audited. The question is should this activity be funded by the revenue it creates or by the general fund. This shift will impact where this revenue used to go.

Mr. Moe, for clarification, informed the Committee that only the mineral-extraction counties who produce these natural resource taxes will be the ones impacted.

CHAIRMAN PETERSON asked if they are expecting more audit activity in the mineral resources.

Mr. Robinson said the audit activity, in terms of when the collections come, can not be predicted with any certainty. The audit may start in a particular year and the findings and resolution may not happen for two to three years later.

OPTION 2
Streamline Property Valuation Division

Mr. Robinson gave his presentation. **EXHIBIT 10 & 11** This proposal is an attempt to move into a consolidated appraisal assessment function, and from a statewide perspective, to consider a regionalization concept that we think can better utilize the available resources within that division. He stated they did not anticipate layoffs. The early retirements and the number of vacancies will allow the Department to accommodate the people within the system.

Questions from Subcommittee Members and Responses:

SENATOR TVEIT asked where the savings will be.

Mr. Robinson said they have maintained vacancies within this division so they would be able to accommodate the transfer of these deputy assessors and elected assessors into the division as state employees. The early retirements will also make vacancies available. The final outcome is there will be fewer FTE in this particular division than they presently have.

REPRESENTATIVE QUILICI asked for comments from the Montana Assessor's Association.

Cele Pohle, Montana Assessor's Association, said they engaged in negotiations for the remaining elected assessors. They have come a long way with DOR in reaching an agreement, however, they are not there yet. The stumbling block seems to be the continuity if the elected position remains. They realize the financial condition of the state. This is the reason that the Assessor's Association, with the guarantee that deputy assessors can be protected, have given up the right of appointment of their deputy assessors. They want to also protect the future elected assessors.

Chuck Krause, Butte Silverbow County Assessor, said they are a charter form of government, therefore, he will remain protected no matter what happens to the legislation. There are many assessors who do want to remain elected and yet protect their state support.

REP. QUILICI asked **Mr. Robinson** to address the assessor's concerns regarding protection of their position.

Mr. Robinson said they have no intent of dismissing the individual only to eliminate the title. He stated DOR does have a commitment to dealing with the assessors through flexibility in how the regional concept is organized.

REP. QUILICI asked where the majority of reduction of 45 FTE will be.

Mr. Robinson answered that the majority of the 45 FTE will be out of Helena because this is where the majority of the people are within this division. There are 30 FTE within the division based in Helena. There are approximately four or five vacant positions in Helena and approximately a total of 48 positions are vacant at this point. The early retirement component being applied to those assessor's positions would allow four or five to take advantage of the early retirement option.

REP. QUILICI asked if, considering the demand of appraisals coupled with the reduction of 45 FTE, will the Department be able to accommodate the need for appraisals.

Mr. Robinson said they have operated in the appeal process with half the staff which is the same level as it would be after the reduction of 45 FTE. An important piece of legislation from the last session has allowed for informal reviews to take place and this has worked very well. DOR has had 26,000 appeals filed, which is less than 4% of the property statewide. The number of those ending up in an appeals process has been less than 5,000.

SENATOR TVEIT asked if, because a treasurer becomes an assessor as well, would that person be fully covered by the state for early retirement.

Mr. Robinson said as they have gone along with the terms of the payment for those retirement benefits which are based on whatever the salary relationship has been over the years. The contribution to retirement was made by either the state or the county. Simply because a person becomes a state employee and has the ability to retire early is not a cost to the state, because the retirement has been paid by the entity responsible for the person's salary. Both county and state employees are covered under the same retirement system - Public Employees Retirement System (PERS).

CHAIRMAN PETERSON asked if any other assessors would like to comment.

Donna Kennedy, Rosebud County Assessor, said she is from a county who opts to remain a county who elects rather than appoints their assessor. The reason is that the County Commissions feel the local input is a necessity.

OPTION 3
Privatize Retail Liquor Operations

Mr. Robinson gave his presentation. **EXHIBIT 12** He said it is important for the state to remain in control of liquor and that this proposal would not in any way impact the level of control regarding liquor distribution within the state of Montana.

Gary Blewett, Administrator, Liquor Division, was present to answer questions.

Questions from Subcommittee Members and Responses:

REP. FISHER asked if the distribution center will sell it at a low enough price so the retailer can be competitive.

Mr. Robinson said there will be a reduction in the price that the bar owner will have to pay. The calculations are based on a case purchase, if a single unit is bought, the retailer would pay a little more. The cost will be less than what the retailer pays at the present time.

REP. FISHER asked if there will be a markup on the cost.

Mr. Blewitt said there will be a markup only to cover their wholesale cost.

SENATOR FORRESTER asked **Mr. Blewitt** what would happen to his position if the proposal passes.

Mr. Blewitt said he will remain the administrator of the liquor division.

SENATOR FORRESTER stated the division would be eliminating 75 FTE and asked if there shouldn't be a way to bring Mr. Blewitt's position into line since he would have less responsibilities.

Mr. Blewitt said it may be more of a question of a re-evaluation determining his pay.

SENATOR FORRESTER asked **Mr. Robinson** what he would envision Mr. Blewitt's pay and position to be if the proposal passed.

Mr. Robinson said there are currently 35 FTE in Helena and with the new proposal that staff would need to be increased for distribution purposes. These employees will still be under the direction of Mr. Blewitt. **Mr. Robinson** said he did not feel the change would justify a decrease in Mr. Blewitt's classification.

DOR has continued to work with the Department of Justice (DOJ) in reviewing total operation. DOR investigators have been transferred to DOJ in an effort to reorganize. He said if there was a situation in the future where Mr. Blewitt were to opt for early retirement, it would be then that this position could be reviewed. However, in terms of this proposal and the magnitude of the delivery and warehousing function being still controlled by the state, it is very important to have an administrator operating that.

SENATOR TVEIT said he has concerns about agency stores being eliminated which may result in court action to shut them down. He asked how bars will sell liquor through a package store.

Mr. Robinson said the proposal eliminates the retail liquor stores. The liquor division would deliver to the bars and taverns. There is not a requirement that the bars or taverns open a package liquor store. They would have that option. The location of a package liquor store would have to be related to the tavern's liquor license. There would be the possibility for a tavern to have a package liquor store with a separate entrance which is adjacent to the tavern. Another possibility is that the package liquor store may be at the end of the bar. **Mr. Robinson** said the private sector will need to meet the needs of those customers who do not want to enter a bar to make a purchase. There will be package stores with separate entrances.

SENATOR TVEIT asked if the state is liable when those contracts are broken between the state and the liquor stores.

Mr. Robinson said that franchise agreement contains a clause indicating that if the state is not appropriated then it is invalid. This is a standard clause within all state contracts. There will be an attempt to keep all the liquor stores open as long as possible as a transitional period to allow the private sector to respond.

SENATOR TVEIT asked how the freight will be assessed.

Mr. Robinson said under the proposal they will equalize the freight charge statewide.

Mark Staples, Montana Tavern's Association, said they have had concerns about the fate of employees as well as the possibility of the prices going up. They also do not want total abandonment by the state. The Association questions whether the transportation costs can be equalized when you are increasing distribution from the present 116 locations by twenty fold. He noted the difficulty the smaller operator might have in providing a separate room for packed liquor sales. The tavern who would be able to buy in larger quantity would have the advantage of being more competitive than would the smaller owner. The Association has asked for a price stabilization mechanism at the local level.

Darrel Holzer, Montana AFL-CIO, said the fact that there will be a loss of jobs is a small part of the equation. This has been a sustainable, on-going program that generates consistently large amount of revenue into the general fund. There are provisions in place that if the liquor store's profit margin falls below 10%, DOR can shut them down.

DEPARTMENT OF ADMINISTRATION

Informational Testimony: **Mr. Moe** gave a brief overview of the budget proposal for the Department of Administration (DOA) and the Governor's Office. (Page A36-A39, LFA Budget Analysis)

Lois Menzies, Director, Department of Administration, (DOA), introduced DOA's State Funds Cost Allocation Plan (SFCAP) and the Statewide Cost Allocation Plan (SWCAP). **EXHIBITS 13 & 14.** This proposal is an shift in policy, an opportunity to require special purpose funds to contribute to the cost of state government infrastructure. The result will be a relief to the general fund. Assessments on agencies would be determined through measures of workload, for example: OBPP position control and DOA would use the number of FTE; for SBAS support, DOA would use the number of transactions; and for the treasury, DOA would use the number of cash transactions. DOA will be assessed as well - $21,000 in FY94 and $41,000 in FY95. The reason for the amount of the assessments is that 92% of DOA's budget is non general fund. She stated that DOA felt existing authority for assessments was limited because they would only be able to charge the state special revenue account and they would be limited to the amount of interest earned on those funds. The Department will need statutory changes in order to implement the plan. She informed the Committee that Rep. Peterson has agreed to carry the bill. Mr. Gengler and Connie Griffith have been involved in the process and are present to answer questions.

Questions from Subcommittee Members and Responses:

SENATOR FORRESTER said with the proposal DOA would become a non-general fund agency, and asked how this will not be a cost shift to local governments.

Ms. Menzies said in this case it is a cost shift, however, it is not a cost shift to local governments in that what DOA does is provide services to state government. DOA will be charging the university system units and the units of state government for the services provided.

SENATOR FORRESTER asked how, for instance, Fish, Wildlife and Parks will absorb approximately $76,000 in the next biennium in costs from DOA without raising license fees.

Ms. Menzies said she is not familiar with their budget and whether they would have to raise fees or if they could absorb it in their current budget.

SENATOR FORRESTER said they would have to raise their fees in order to pay DOA's costs. It will cost others more to get DOA on a state special revenue account. He stated he views DOA along with other agencies as trying to get out of the general fund review. Agencies do not like the legislature's review, nor the vacancy savings.

Ms. Menzies said she would agree that general funded agencies have come under extreme scrutiny over the past years, but this proposal is offered as a means of relieving pressure on the general fund. She said if it becomes a severe point of contention that they would be establishing a state revenue fund in order to pay for services, then maybe its not critical to have a state special revenue account set up for agencies. Currently the services DOA provides are not part of agencies' costs.

SENATOR FORRESTER said he did not view the proposal as a way to save money.

Ms. Menzies informed the Committee that under SWCAP when collections are made from federal agencies, the university system is permitted to keep those funds while other agencies are required to put that money back into the general fund. If you compare the university system's collections to state agency collections, you'll find that the university system does a much better job of recovering funds from the federal government. The reason being that they in turn get to use the money. She stated this is why she is recommending that through a state special fund the agencies will strive to do their best.

SENATOR FORRESTER asked what happens to the general fund money which is supposed to go to DOA.

Mr. Gengler said under this proposal their general fund appropriations would be reduced by the amount of these revenues.

SENATOR FORRESTER asked Mr. Gengler how the other agencies such as the university system plan to make up the costs.

Mr. Gengler answered that in the executive budget this proposal was identified as a cost shift. However, the costs for services are currently being provided for free. Any business allocates its overhead to its line of business. It is true that in some cases agencies will have to reduce their existing fund balance; in some cases the costs may have to be passed along; and in some cases it may displace other discretionary spending.

REP. FISHER said she would agree with the proposal philosophically because when an agency does not have to pay their costs it is much easier to run them up.

REP. QUILICI asked why the Public Service Commission is not included on exhibit 14.

Connie Griffith said that any agency under $100 were not included on the list.

REP. QUILICI questioned the theory of charging for a service that the DOA was originally created to do in the first place.

Ms. Menzies said it goes back to the fundamental question of whether that is a general fund obligation, and if it is, then nothing needs to be done. This proposal is based on workload criteria which is why the university system is the highest.

SENATOR TVEIT asked for a summary of DOA's budget reduction.

Ms. Menzies said they reduced the cost of services. The DOA has reduced the processing fee for the central computer by 3.5% which is a total savings of all funds of $288,000 and $168,000 general fund. The other reduction is for rent of the capitol complex, a reduction of 1.4% in FY94 and 2.5% in FY95, a total cost savings of $114,000 for the biennium, and $86,000 general fund.

Mr. Gengler said one reaction from the agencies during review of this proposal was that once the agency realized they would be charged for the number of SBAS transactions they generated, the response was - "perhaps we're not as efficient as we could be in the amount of transactions we are generating." If those agencies feel a cost, it will create more incentive to be efficient in how they do their business, DOA's cost in turn will go down.

SENATOR FRITZ said the services they are trying to charge for are not at the request of the agencies as it is a request by the state and the legislature for accountability. He asked why the University of Montana's assessments are so much higher than the other universities.

Mr. Gengler said the reason is due to the size of the operation and the degree to which the University of Montana has earmarked funds. The university which operates on general fund would have no assessment, however, the university funded by special revenue would be assessed.

Ms. Griffith said the problem with the University of Montana is primarily with their accounting system. They utilize DOA's accounting system much more. They have far more transactions than the others. They also utilize the treasury function a great deal more.

GOVERNOR'S OFFICE

<u>**Informational Testimony**</u>: **Judy Browning, Governor's Office,** was present to answer questions. **EXHIBITS 15 & 16**

ADJOURNMENT

Adjournment: 6:00 p.m.

Mary Lou Peterson
REP. MARY LOU PETERSON, Chairman

Pat Bennett
PAT BENNETT, Secretary

MP/PB

HOUSE OF REPRESENTATIVES

GENERAL GOVERNMENT AND HIGHWAYS SUB-COMMITTEE

ROLL CALL DATE 18 Nov 93

NAME	PRESENT	ABSENT	EXCUSED
REP. MARY LOU PETERSON, CHAIRMAN	✓		
SEN. HARRY FRITZ, VICE CHAIRMAN	✓		
REP. MARJORIE FISHER	✓		
SEN. GARY FORRESTER	✓		
REP. JOE QUILICI	✓		
SEN. LARRY TVEIT	✓		

HR:1993
wp:rollcalls.man
CS-10

EXHIBIT 1
DATE 18 NOV 93
HB
J.S. GEN GOVT + TRANSPORT

Doug Mitchell
Talking Notes
Meeting of the Joint Subcommittee on General Government
Thursday, November 18, 1993

OVERVIEW

The amount of general fund dollars appropriated to the Secretary of State for this biennium amounts to $122,732. As you know, this amount goes to pay for the constitutional responsibilities of the Secretary of State in the areas of elections and executive and legislative record keeping.

PROPOSALS

This morning I will make four proposals for alteration of this office's budget; two of which require statutory change.

In total the four will cut general fund spending by $13,200 over the biennium; 11% of our general fund budget while also adding $10,080 in general fund revenue for a total positive impact on the budget of $23,280 or 19% of our general fund budget.

Let me briefly outline the four proposals.

PRINTING OF TITLE 13......Savings of $5,700. Statutory change not necessary because we will continue to print and distribute to Election Administrators as required, but format will change.

REDUCTION IN ELECTION ADMINISTRATOR WORKSHOPS......Savings of $5,000. State law currently requires one workshop per year where we reimburse election administrators for travel and expenses.

DELETE GENERAL FUND PORTION OF FIREPROOF STORAGE......Savings of $2,500. No statutory change required.

ILL NOT EQUIRE A VOTE THIS COMMITTEE

INCREASE LEGISLATIVE FILING FEE FROM $15 TO $50.......Increased General Fund income of $10,080. (288 candidates; same as 1992). Statutory change required. This fee is the same as it was 24 years ago when adopted for the first time by the legislature in 1969.

CONCLUSION

These are responsible actions that will improve the budget picture without crippling the functions of the agency or preventing access to the ballot.

SIDE BAR

Before I close I need to give you an update on the fireproof storage issue I raised earlier.

EXHIBIT 2
DATE 18 Nov. 93
[redacted] Hwy Trans. Safet
S.S. GEN GOV'T + TRANSPORTATION

October 25, 1993

Dear Rep. Marge Fisher:

I am State Deputy Coordinator for ABATE (American Bikers Aiming Toward Education) of Montana. We have over 1400 members in 15 chapters across Montana. In 1989 we successfully supported legislation establishing a motorcycle rider safety education program in the Office of Public Instruction in Helena. This program is administered by a Motorcycle Safety Coordinator, Jim Bernet. The funds for this program are earmarked, although the program falls under Traffic Education. Funding is provided by a $2.50 fee assessed on each motorcycle registration and a $2 fee assessed on each motorcycle endorsement of a driver's license.

Your involvement as my representative in the upcoming special session, and your position on the committee overseeing the Department of Justice, lead me to bring a couple of things to your attention.

In the legislature's efforts to address our State's deficit, I understand earmarked funds will be examined. I would like to point out that the Montana Motorcycle Safety Education Program (MMSEP) is an example of how programs should be funded and operated: we did not tax cigarettes or other unrelated categories of revenue. The MMSEP is already a "user fee" system. The assessments generate over $100,000 annually to fund one position in Helena and provide matching funds for grants, without drawing on any other State trust accounts.

This program is widely supported by the local sponsors of the education courses, who act as contractors to the State. In the Flathead Valley, for example, the courses are offered through Flathead Valley Community College. Much of the public relations for this program is done at the street level by ABATE of Montana members, as well as members of other motorcycling organizations. ABATE of Montana has an Education Fund that has been declared tax exempt by the IRS specifically because of, and in furtherance of, its efforts to support the MMSEP.

When this program comes under examination during the special session, I hope the above information provides you with an understanding of how this program is already working as a model of efficiency and effectiveness, and, from the tax payer's point of view, as we want it to (and will support it), as opposed to an administrator's point of view of what we should get for our money.

One thing may help reduce costs, even if in a small way. When the MMSEP started, it was suggested that riders passing the basic course should be able to get their motorcycle endorsement for their driver's license without having to take the riding skills portion of the State's driver license bureau test and without having to take the written portion of the State's test. This was met with resistance. In 1993, the State agreed to accept proof of completion of the basic course in lieu of the riding skills portion of the State's test, thus eliminating this administration expense at the licensing bureau offices for these riders. With the closing of some of the State's smaller driver license bureau offices likely to occur as a result of the cuts the legislature will be making, perhaps the original proposal of waiving both the riding and the written tests now makes sense. After all, these courses are contracted by the State at fifteen locations across the State with State-certified instructors. Accepting completion of the basic course as proof of qualification for motorcycle endorsement would eliminate the duplica-

GEN. GOV'T. & TRANSPORTATION SUBCOMMITTEE

EX 2
11-18-93

tion of effort and money spent to administrate the riding skills and written tests at the driver license bureau offices for these riders.

The other point I'd like to bring to your attention is better explained in the attached letter. This letter was sent to me to bring to my attention the bottleneck being created in the Department of Justice by an administrator.

Al Goke seems to feel he can tell the taxpayer what we need, rather than listening to us when we tell our elected officials what we want our money spent on. As the Governor's Highway Safety Representative, he proposes projects to the Governor for signature, and these are then sent to the National Highway Traffic Safety Administration (NHTSA) for approval or denial. I attended a national conference in October 1992 where a workshop was held by a NHTSA motorcycle safety specialist. I was personally shown the proposals submitted by Montana, and the only requests that made it to the federal level through Al Goke were those mandated by legislation (legislation, incidentally, initiated by ABATE of Montana because there seemed to be no action via other methods). This seems a very cumbersome way for the State of Montana to participate in programs deemed a priority by the federal government.

At this and similar workshops, NHTSA informs us that 1/2 of 1% of all 402 funds are spent on motorcycle safety. The greatest amount of the 0.5% is spent on startup of rider education programs (not all states have these in place yet). Their priorities for 402 funds are: motorcycling, chemical driving issues, pedestrian safety, bicycling safety, child restraint systems, and seat belt use.

After you review the attached letter, you will understand how Mr. Goke's proposal for using the State's share of the 402 penalty funds does not meet the federal priorities for the money intended by Congress to be used at the State level.

The NHTSA representatives told me they can sometimes fund low cost, quick return projects, even late in the fiscal year, due to another project falling through or ending early; that release of money can be done through their change order process; and that States should always keep small project proposals on hand for submission. Mr. Goke needs to be encouraged to "play the game" more thoroughly, and let Montana utilize the system. Please remember that Montana has a rider funded program. We would simply like to see the best return on our investment.

Thank you for your time in reviewing this material. I am available to discuss this information with you, and if there is anything else I can provide, let me know. If there are others with whom you wish to share this information, please feel free to provide copies of this letter.

Thank you again,

Michele Hand
Deputy Coordinator, ABATE of Montana
428 West Third Street
Whitefish, MT 59937

phone (with message machine) 862-6633

cc: Dal Smilie

EXHIBIT 3
DATE 18 Nov. 93
HB Hwy Traffic Safet
S.S. GEN GOV'T &
TRANSPORT

DEPARTMENT OF JUSTICE
HIGHWAY TRAFFIC SAFETY

MARC RACICOT, GOVERNOR

1310 EAST LOCKEY AVE.

STATE OF MONTANA

(406) 444-3412

PO BOX 201423
HELENA, MONTANA 59620-1423

November 15, 1993

DUI TASK FORCES

61-2-106 contains the specifics of how a county may initiate a task force:

61-2-106. County drinking and driving prevention program. (1) The governing body of a county may appoint a task force to study the problem of alcohol-related traffic accidents and recommend a program designed to:

(a) prevent driving while under the influence of alcohol;

(b) reduce alcohol-related traffic accidents; and

(c) educate the public on the dangers of driving after consuming alcoholic beverages or other chemical substances that impair judgment or motor functions.

(2) A task force appointed under subsection (1) shall conduct its study and submit its recommendations within 6 months from the date it was appointed. Task force meetings are open to the public. The task force shall give notice by publication in the community meeting announcement section of a newspaper of general circulation in the county.

(3) The county governing body may by resolution adopt the recommendations of the task force appointed under subsection (1). The proposed program must be approved by the governor as provided in 61-2-105.

(4) The chairman of the task force shall submit to the county governing body:

(a) a budget and a financial report for each fiscal year; and

(b) an annual report containing but not limited to:

(i) an evaluation of the effectiveness of the program;

(ii) the number of arrests and convictions in the county for driving under the influence of alcohol and the sentences imposed for these convictions;

(iii) the number of alcohol-related traffic accidents in the county; and

(iv) any other information requested by the county governing body or considered appropriate by the task force.

(5) A copy of the annual report may be submitted to the department.

History: En. Sec. 1, Ch. 643, L. 1987; amd. Sec. 2, Ch. 751, L. 1991; amd. Sec. 1, Ch. 436, L. 1993.

Compiler's Comments

1993 Amendment: Chapter 436 inserted second and third sentences of (2) providing for public meetings and notice.

The Highway Traffic Safety Division approves the programs as required in 2(3) on behalf of the Governor. We request counties to submit their programs in late spring such that approval can be given by July 1. Thus their programs can be budgeted within the normal budget sequence at the local level.

61-2-107 provides for the $100 reinstatement fee, 2(a) provides that one-half shall be deposited in the general fund; 2(b) provides for the remaining one-half.

61-2-107. License reinstatement fee to fund county drinking and driving prevention programs. (1) Notwithstanding the provisions of any other law of the state, a driver's license that has been suspended or revoked under 61-5-205 or 61-8-402 must remain suspended or revoked until the driver has paid to the department a fee of $100 in addition to any other fines, forfeitures, and penalties assessed as a result of conviction for a violation of the traffic laws of the state.

(2) (a) The department shall deposit one-half of the fees collected under subsection (1) in the general fund to be appropriated and used for funding county drinking and driving prevention programs as provided in 61-2-108. For each fiscal year, an amount up to $50,000 of the money from the fees remaining in the general fund after appropriation for those programs is statutorily appropriated, as provided in 17-7-502, to the department to purchase and maintain equipment used to analyze breath for the presence of alcohol.

(b) The remaining fees collected under subsection (1) that are not allocated under subsection (2)(a) must be deposited in an account in the state special revenue fund to be distributed to county treasurers. The department shall distribute to each county treasurer money in the account collected as license reinstatement fees in that county. The county treasurer shall distribute the money to each incorporated city or town in the county in the ratio that the population of the incorporated city or town bears to the total population of incorporated cities or towns in the county, based on figures provided by the most recent official census. An incorporated city or town shall distribute the money to state and local government entities, and private entities working with state and local government entities, that operate programs within the county that address the problems and concerns of minors, including but not limited to substance abuse and delinquency and chemical-free youth facilities and programs. Up to one-half of the money distributed under this subsection (b) may be used for adult chemical dependency programs and law enforcement training programs and for equipment for local government law enforcement agencies within the respective jurisdiction.

History: En. Sec. 2, Ch. 643, L. 1987; amd. Sec. 1, Ch. 55, L. 1989; amd. Sec. 1, Ch. 751, L. 1991; amd. Sec. 1, Ch. 5, Sp. L. January 1992; amd. Sec. 1, Ch. 492, L. 1993.

Compiler's Comments

1993 Amendment: Chapter 492 in (2)(a), near middle of first sentence before "used", inserted "appropriated and" and inserted second sentence statutorily appropriating up to $50,000 for each fiscal year from fees remaining in general fund after program appropriations to be used by Department to purchase and maintain equipment to analyze breath for presence of alcohol. Amendment effective July 1, 1993.

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+ TRANSPOR[illegible]
11-18-93

61-2-108 provides that counties can only get their one-half as it relates drinking and driving if they have met the provisions of 61-2-106.

> **61-2-108. Funding allocation for programs to prevent or reduce drinking and driving.** If the county in which the violation or violations occurred has initiated and maintained a drinking and driving prevention program as provided in 61-2-106, the department shall transmit the county portion of the proceeds of the license reinstatement fees collected in that county to the county treasurer, as provided in 61-2-107(2)(a), at the end of each quarter.
>
> **History:** En. Sec. 3, Ch. 643, L. 1987; amd. Sec. 3, Ch. 751, L. 1991; amd. Sec. 2, Ch. 5, Sp. L. January 1992.

The Highway Traffic Safety Division submits funds collected to the eligible counties each quarter. Since not all counties have task forces, about two-thirds of the funds collected for task forces actually go to counties. This payment is also limited to the amount in total that the legislature approves in the Division budget for this purpose.

The Department of Justice may expend up to $50,000 per year for DUI testing equipment. (17-7-502)

The Division also received budget authority to distribute the funds generated under 61-2-107 2(b) for FY 1994-95.

> Special Session I action, in January, 1992, authorized deposit of the second $50 of each $100 driver license reinstatement fee to the general fund for the 1993 biennium. Effective for FY94, 61-2-107(2)(b), MCA, requires deposit of these fees in a state special revenue account "to be distributed to county treasurers" who "shall distribute the money to each incorporated city or town in the county" who "shall distribute the money to state and local government entities, and private entities working with state and local government entities." This required multiple pass-through of an estimated #300,000 each year of the 1995 biennium can ultimately be used for a variety of youth and adult services, law enforcement equipment, etc., which are not all closely related to traffic safety, driver improvement services or alcohol/chemical dependency treatment and prevention. No distributions will be made until the end of FY94 so the full $600,000 could be deposited to the general fund in the biennium. Since the provisions never have been implemented, this would not be a reduction to cities and towns.

Reduction in Alcohol Related Accidents by County

	Accidents 1979-83	Average Accidents	Accidents 1984-92	Average Accidents	Reduction After TF
Montana	21904	4380.8	24291	2699.0	38.4%
Cascade	2085	417.0	2189	243.2	41.7%
Custer	407	81.4	383	42.6	47.7%
Deer Lodge	236	47.2	256	28.4	39.7%
Fergus	330	66.0	335	37.2	43.6%
Flathead	1689	337.8	1953	217.0	35.8%
Gallatin	1082	216.4	1383	153.7	29.0%
Hill	644	128.8	662	73.6	42.9%
Jefferson	315	63.0	353	39.2	37.7%
Lake	667	133.4	785	87.2	34.6%
Lewis & Clark	1016	203.2	1569	174.3	14.2%
Lincoln	483	96.6	598	66.4	31.2%
Missoula	2084	416.8	2510	278.9	33.1%
Powder River	49	9.8	65	7.2	26.3%
Rosebud	241	48.2	211	23.4	51.4%
Sanders	221	44.2	252	28.0	36.7%
Silver Bow	689	137.8	920	102.2	25.8%
Teton	158	31.6	141	15.7	50.4%
Yellowstone	3563	712.6	3589	398.8	44.0%
Task Force Counties	15959	3191.8	18154	2017.1	36.8%

EX 3
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+ TRANSPO
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Reduction in Alcohol Related Accidents

	Before 1979-83	After 1984-92	Reduction	Percent of Reduction
Task Force Counties	3191.8	2017.1	1174.7	69.8%
Non Task Force Counties	1189.0	681.9	507.1	30.2%
Montana Total	4380.8	2699.0	1681.8	

GEN. GOV'T. & TRANSPORTATION SUBCOMMITTEE

EX 5
11-18-93

Percent of All Accidents that are Alcohol Related
1992 Accident Data

	Accidents	Alc Related	Percent
Cascade	1818	223	12.27%
Custer	313	35	11.18%
Deer Lodge	94	27	28.72%
Fergus	230	41	17.83%
Flathead	1461	198	13.55%
Gallatin	1232	133	10.80%
Hill	361	56	15.51%
Jefferson	178	25	14.04%
Lake	359	81	22.56%
Lewis & Clark	1218	124	10.18%
Lincoln	292	52	17.81%
Missoula	1937	263	13.58%
Powder River	33	2	6.06%
Rosebud	163	24	14.72%
Sanders	138	26	18.84%
Silver Bow	655	91	13.89%
Teton	90	18	20.00%
Yellowstone	3076	390	12.68%
Task Forces	13648	1809	13.25%
Non Task Force	3662	628	17.15%

EXHIBIT 4
DATE 18 Nov 93
S.S. GEN GOV'T + TRANSPORT

November 18, 1993

SUBCOMMITTEE PRESENTATION

INTRODUCTION

1. Vacancy Savings (see handout for more info)

-$1.1 million/yr -33 FTE

-workload increases

2. Major Litigation (see handout for more info)

-Biennial Appropriation = $500,000

-Projected expenses= 486,000

-Will live within appropriation if what we know today doesn't change.

-Active cases....Crow Coal, Blackfeet, Reapportionment Coal Blackfeet

-Inactive case...School Funding

-Possible litigation...Reapportionment case for Blackfeet & Flathead Reservation.

-Biggest liability = unknown cases.

3. Workers Comp Fraud Unit....

4. Liquor/Gambling investigation consolidation

5. Detention Center Contracting

-Of 45 contracts, 35 are signed. Of 35, 31 have maintained rate.....we appreciate this as it is a stretch.

-Remaining 4 contracts received increases of 21%-100%

-Difficult to negotiate

November 18, 1993

Subcommittee Presentation - 2

6. No more across the board cuts

-must set priorities

-public safety, law enforcement & legal services are top priorities by their nature.

RESPONSE TO GOVERNOR'S RECOMMENDATIONS

1. **Withdraw driver services from 37 communities....**

-GF reduction=($100,00/207,000)

-FTE reduction =(6/11.75)

-15% of drivers would now travel outside community to renew

-Inconvenience to some, hardship to others (elderly

-Remaining stations to pick up the volume...longer lines & waits, will also be hard on remaining staff.

-Possible loss of revenue. Some will simply choose not to renew. 190,000 renewals/yr...1%=1900 X $16.00 = $30,400.

-Not fair to folks who paid for improved service through increase license fee from $12 to $16.

-Let us complete work on how to contract..could save more in annualized $ than Governor has proposed w/o the disruption.

EX 4
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2. Single License Plate - Postage Reduction

-Reduction in GF = ($4,400/8,800)

-Governors numbers are too high, should be $2000/4000

-Bad idea for local law enforcement/public safety

  -Can't read plates from oncoming vehicles

  -Reflective material on plates = safety factor

-Not cost effective

-No accurate cost data

3. Delete DARE Officer Position

-GF savings = ($21,713/43,905

-Prevention works! -120 officers

-DARE Montana 34 MT communities

-Interagency coordinating Council for Prevention

-In-State DARE officer training vs cost to local depts to send to LA or SLC

-DARE works with law enforcement, prosecutors, probation, judges

4. State Fund Cost Allocation Plan

-Increase state special funds by $13,310/26,452

-Gas tax makes up the majority of our state special so will bear the biggest share.

5. Reduced Computer Charges from ISD

-All fund reduction of (16,600/32,000)

-Mainframe switch = big undertaking, big effort, big increase of GF for Justice with like decrease for rest of state gov.

6. Reduced Rent for Capitol Complex

-All fund reduction of (2600/4600)

7. Efficiency study of all duplicating facilities within depts.

-Highway Patrol print shop was proven to be efficient in previous LAO audit. Believe another study will confirm these results.

-Will work with DofA

8. Eliminate state refunds of less than $5.

-No issues

CONCLUDING REMARKS:

1. Vacancy Savings

2. Focus on public safety/law enforcement

3. Reinvent/restructure....a thoughtful process

-must be better, not just cheaper

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November 18, 1993 Subcom - 5

4. Update on state legal service study

-Let study proceed

-Mature proposals from working group, AG, Gov during the 1995 session.

5. Workload is up, up, up

-good workers -morale -productivity

6. DEPARTMENT OF JUSTICE IS GETTING THE JOB DONE.

EXHIBIT 2
DATE 18 NOV 93
HB
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DEPARTMENT OF JUSTICE
DRIVER EXAMINERS IN RURAL MONTANA

The Driver Licensing program within the Department of Justice provides driver examinations and drivers' license renewals to Montana citizens. Section 61-5-101, M.C.A., requires the department to provide the staff, facilities and equipment necessary for the driver licensing services required by state law.

The 1991 Legislature increased the fee for an individual driver's license from $12 to $16 to driver licensing stations in every Montana county. There is now at least one station in each county, with larger counties served by additional stations.

The proposed withdrawal of services to smaller counties will have a negative effect statewide, on both the smaller counties that lose their stations and on those that retain services. Drivers from the affected smaller communities will have to travel significant distances to the nearest community that has retained driver licensing services.

Staff at many of the remaining stations will be reduced, while the workload will increase with the influx of applicants from the counties that have lost services. Unavoidable delays will result, similar to those that existed before the 1991 Legislature authorized services in every county. Prior to 1991, waits of up to four hours were common in many of the busier stations.

The inevitable elimination of relief staff would exacerbate these problems. When an examiner or clerical assistant is absent due to illness or vacation, the affected station(s) will be closed or operate at a greatly reduced capacity until the examiner or clerk returns to duty.

In response to the proposed budget cut, licensing program staff have identified the overall staff reductions and designed a tentative service schedule based on population and travel distance. This restructuring would result in:

- the closure of 37 stations in rural Montana counties, and
- staff increases, mostly in clerical support, in the some of the larger counties that would be most heavily affected by the influx from surrounding areas.

At the direction of the 1993 Legislature, the licensing program is conducting a pilot project to include testing traffic-education students at the conclusion of the schools' traffic-education program. This project, being done with the assistance of the Office of Public Instruction, aims to reduce the examination workload generated by traffic-education classes by approximately 15,000 exams each year.

-over-

Various options to at least partially "privatize" or transfer some of the licensing/examination functions to other agencies or private entities are also being explored. However, it appears that this approach would not be economically feasible, either as a cost savings to the state or by generating revenue for another agency or private vendor.

It should be noted that, while the projected reduction in the traffic-education workload could be expected to allow some staff reductions, the proposed rural station closures would undermine any gains. The bulk of traffic-education instruction occurs in the larger counties -- the same counties that will be struggling to accommodate the influx of drivers from the smaller communities that no longer provide local driver licensing services.

EXHIBIT 5
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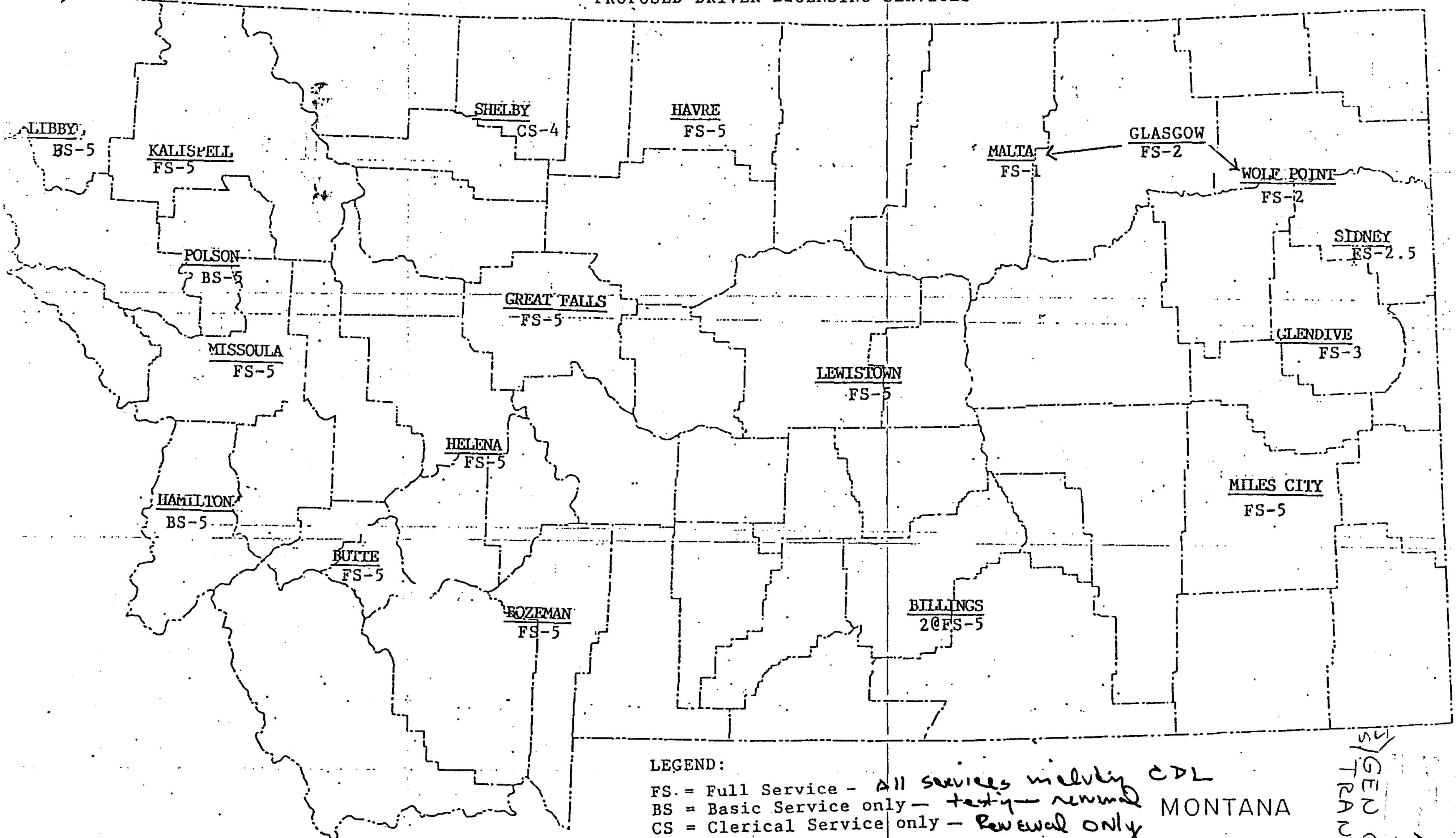
HB

PROPOSED DRIVER LICENSING SERVICES



LEGEND:

FS = Full Service - All services including CDL
BS = Basic Service only - testing - renewal
CS = Clerical Service only - Renewal only

XS-# = Number of days open per week

MONTANA

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EXHIBIT 7
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17-Nov-93

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DEPARTMENT OF JUSTICE

SUBCOMMITTEE PROPOSAL

PROPOSED GENERAL FUND REDUCTIONS:

		FY94	FY95
1. Commercial Vehicle Operating License Carryover: Additional federal spending authority is requested allowing a like amount of general fund to be reduced.	Gen Fund	(7,500)	
	Federal	7,500	
2. Criminal History Records Grant Carryover: Additional federal spending authority is requested allowing a like amount of general fund to be reduced.	Gen Fund	(50,000)	
	Federal	50,000	
3. Delay of Academy Space Increase: Expansion of space approved by the last legislature to address increased useage and demand must be delayed one year. Funds approved for the first year can be reverted.	Gen Fund	(59,500)	

REQUESTED INCREASES TO BUDGET:

		FY94	FY95
1. Highway Patrol Recruit School in FY95: The Patrol was down 16 officers as of 10/31/93. Of these, 3 were from deaths and 8 from retirements. Three more officers have committed to leave before 6/30/94. Addt'l terminations or retirements for the last 7 months of this year are unknown. The recruit pool will likely be exhausted by FYE94. Assuming the average yearly attrition rate of 14 officers in FY95 & the next recruit school in Dec. of FY96, the force could be down over 21 officers before new recruits are trained. An additional recruit school in FY95 is needed to maintain minimum coverage of the state.	State Spec.		170,000
	FTE		7.50
2. Eliminate Criminal History Record Backlog: Criminal History Records Grant carryover funds are available until June 30, 1994 to eliminate the backlog of fingerprints and dispositions. Technicians have struggled to keep up with the current submissions and have not been able to reduce the 6 mo. fingerprint/ 12 mo. disposition backlog.	Federal	47,000	

EXHIBIT 8
DATE 18 NOV 93
HB S.S. GEN GOV'T + TRANSPORT

DEPARTMENT OF JUSTICE
DRUG PREVENTION EDUCATION/STATEWIDE D.A.R.E. COORDINATOR

Project DARE

Drug Abuse Resistance Education is the alcohol and drug abuse prevention program of choice for law enforcement agencies throughout the United States. Initiated in Los Angeles in 1983, the program is now available in all 50 states and in seven foreign countries. A uniformed law enforcement officer who is carefully selected and trained teaches a 17-week program to elementary and middle school children. The comprehensive curriculum provides young people with the skills and abilities to make decisions, to manage stress and to stand up to negative peer pressure to use alcohol, illegal drugs and tobacco. DARE recently updated its curriculum to include discussion of such "gateway" drugs as alcohol and tobacco and to include strategies for reducing and avoiding violence, thus addressing an issue of growing concern nationwide. Montana's DARE officers plan to be trained in this new curriculum by next fall.

A recent national Gallup survey showed that 93 percent of students 11 to 18 years of age who had completed the DARE program have never tried marijuana, cocaine, heroin, crack or inhalants. More than 90 percent of the students polled said they believe DARE has helped them avoid drugs and alcohol and deal effectively with peer pressure, while increasing their self-confidence. Seventy percent said they have never tried alcohol.

Montana's DARE Programs

In Montana, DARE has been reaching out to young people since 1988. Currently, 40 projects serve children and communities throughout the state. Nearly 120 Montana law enforcement officers are now certified to teach the curriculum. In the past four years, more than 30,000 fifth- and sixth-graders throughout the state have studied the DARE core curriculum.

Statewide DARE Coordinator

While DARE programs are conducted on a local basis, the DARE Coordinator works with local sheriff's offices and police departments in 34 Montana communities to ensure that local drug education programs are consistent and effective and meet certification standards. The DARE Coordinator provides several statewide benefits, including:

- working with local sheriff's offices and police departments, particularly in rural areas that have fewer resources to contribute to the program. For example, the coordinator can help arrange the bulk purchase of DARE materials;

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- working with service groups to encourage their involvement in the program. For example, the American Legion has -- with the DARE Coordinator's involvement -- instituted a statewide effort to make contributions to local programs;

- assisting programs in seeking and obtaining grant funding or corporate sponsorship to continue their work;

- ensuring that the programs provide consistent, clear messages, so the education provided to students in Sidney is the same as that provided to students in Great Falls;

- developing training opportunities for DARE officers in Montana that otherwise would not be available. For example, the State sponsored its first two-week basic training course this summer, at one-third the cost of sending officers out of state to be trained; and

- assisting the DARE Officers' Association, the statewide group for DARE officers that works on quality assurance and develops standards for officers and programs.

In addition, the DARE coordinator would work on issues involving the interagency coordinating council for state prevention programs, established by the 1993 Legislature in SB34. By acting as a liaison between the council and local law enforcement agencies, prosecutors, probation officers and district judges, the coordinator would also foster the development of a cohesive prevention strategy statewide.

GEN. GOV'T & TRANSPORTATION SUBCOMMITTEE

EXHIBIT 9
DATE 18 Nov 93
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Natural Resource and Corporation Tax Funding Proposal

The majority of collection and audit costs of the Natural Resource and Corporate Tax Division are supported by the general fund. However, much of the Division's audit and collection functions benefit non-general fund agencies and accounts. The budget principal adopted for the Income and Miscellaneous Tax Division during the last several legislative sessions is that every revenue source should bear its fair share of administrative costs. This same principle would be applied to the natural resource tax program.

The Corporation Tax Bureau and Natural Resource Tax Bureau will each allocate a portion of their total costs to the non-general fund revenues for which they collect and or audit taxes based on the relative proportion of non-general fund to general fund revenue collections. For purposes of this allocation, collection and audit costs allocable to the school equalization account are considered as general fund costs. Furthermore, distributions to the coal permanent trust fund will be exempt from sharing in the administrative costs. Non-general fund costs are estimated to be approximately 60% of the current general fund budget of the Natural Resource Tax Bureau and 6% of the Corporation Tax Bureau.

Non-general fund costs will be recovered by withholding a percentage of non-general fund collections. The percentage of non-general fund collections withheld will be 1.0% in fiscal year 1994 and 0.6% in fiscal year 1995 for the Natural Resource Tax Bureau. The percentage of non-general fund collections withheld for the Corporation Tax Bureau will be 1.0% for fiscal year 1994 and 0.75% for fiscal year 1995. For fiscal years after 1995, the Department will calculate the percentage necessary to generate the annual non-general fund appropriation for each bureau. The funding mechanism is based on the method used to determine the Public Service Commission and Consumer Counsel tax rates and ensures that administrative revenues match appropriations. Because a portion of the proposed cost recovery will marginally reduce amounts remitted by counties to the State for state mills, the general fund savings would be offset by approximately $99,000 per year.

Table 1
Natural Resource and Corporation Tax Division
Change Between General Fund and State Special Revenue Appropriation
1995 Biennium

General Fund Appropriation Reduction:	
Natural Resource Bureau	
Fiscal 1994	282,000
Fiscal 1995	282,000
Corporation Tax Bureau	
Fiscal 1994	49,000
Fiscal 1995	49,000
General Fund Appropriation Reduction	662,000
State Special Appropriation:	
Natural Resource Bureau	
Fiscal 1994	282,000
Fiscal 1995	282,000
Corporation Tax Bureau	
Fiscal 1994	49,000
Fiscal 1995	49,000
State Special Revenue Fund Appropriation	662,000
School Foundation and University Loss of Revenue:	
Natural Resource Bureau	
Fiscal 1994	99,000
Fiscal 1995	79,000
School Foundation and University Loss	178,000
General Fund Appropriation Reduction	662,000
School Foundation and University Loss	178,000
Net General Fund Impact	484,000

Table 2
Taxes Collected and Audited By
Natural Resource Bureau
Percent Which Is Non-General Fund
Fiscal 1992

Tax Type	Fiscal Year 1992 Collections (1)	General Fund Collections (2)	Permanent Trust (3)	Non-General Fund State Collections (4)	Local Government And Schools Collections (5)	County Collected State Mills (6)
Compliance Collections						
1 Cement & Gypsum License	131,860	131,860				
2 Electrical Energy	4,128,510	4,128,510				
3 Metalliferous Mines License	6,595,467	3,825,371		1,121,229	1,648,867	
4 Coal Severance	32,754,110	8,774,826*	16,377,055	7,602,229		
5 Natural Gas Severance	1,112,778	1,112,778				
6 Crude Oil Severance	16,171,115	16,171,115				
7 Resource Indemnity Trust	5,154,732			5,154,732		
8 Total State Taxes	66,048,572	34,144,460	16,377,055	13,878,190	1,648,867	
9 Metal Mines Gross Proceeds	3,950,258				2,715,296	1,234,962
10 New Oil & Gas Net Proceeds	5,391,790				3,104,792	2,286,998
11 Misc. Mines Net Proceeds	2,228,269				1,377,039	851,230
12 Coal Gross Proceeds	13,148,125				6,964,500	6,183,625
13 Local Government Severance	37,142,799				27,023,832	10,118,967
14 Total County Taxes	61,861,241					
15 Total Natural Resource Taxes	127,909,813	34,144,460	16,377,055	13,878,190	42,834,326	20,675,782
16 Percent of Total Revenue	100.00%	26.69%	12.80%	10.85%	33.49%	16.16%
17 **% Non-General Fund Tax Collections**	60.50%			10.85%	33.49%	16.16%

* – Includes 15.39% to the General Fund and 11.40% to School Equalization

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Table 3
General Fund Used To Produce Non-General Fund Revenue
Natural Resource Bureau - Fiscal 1994

Personal Services	
Tax Audit	$257,811
Tax Administration	122,618
Operating Expenses	
Administrative Costs	41,625
Audit Travel	47,326
Total General Fund Expenditures	469,380
% Of Revenue Non-General Fund	60%
General Fund Used To Produce Non-General Fund Revenue	**$281,628**

Table 3a
General Fund Personal Services
Fiscal 1994

Natural Resource Bureau Tax Staff

	Position #	Salary	Fringes	% Alloc.		Total	
Tax Audit Staff							
	7450	25,839	6,588			32,427	
	7506	25,697	6,585			32,282	
	7801	36,174	9,000	75.00%	*	33,881	
	7508	25,868	6,670			32,538	
	7804	42,880	10,642	50.00%	*	26,761	
	7509	30,787	7,378			38,165	
	7805	23,150	6,147			29,297	
	7808	25,868	6,592			32,460	
Tax Audit Staff Personal Service Cost							**$257,811**
Tax Administrative Staff							
	7803	22,572	6,763			29,335	
	7804	42,880	10,642	50.00%	*	26,761	
	7806	24,185	7,332			31,517	
	7809	22,250	6,479			28,729	
	7801	36,174	9,000	25.00%	*	11,294	
Tax Administrative Staff Personal Service Cost							127,636
Clerical Staff							
	7701	21,674	6,371	50.00%	**	14,023	
	7902	15,634	4,957	50.00%	**	10,296	
Clerical Staff Personal Service Cost							24,318
Tax Administration and Clerical Personal Services							$151,954
Less: Oil & Gas Era(Special Revenue Account)Personal Services							(29,336)
Tax Adminstration Staff							**$122,618**

* - Audit Manger'S Time Is Split Approximately 75% - Audit, 25% - Administrative; Bureau Chief's Time Is Split Approximately 50% - Audit, 50% - Administrative;

** - Two Clerical Positions' Time Is Split Approximately 50% - Natural Resource Bureau, 50% Corporation Tax Bureau

Table 3b
Natural Resource Bureau General Fund Operating and Travel Costs
Fiscal 1994

Operating Costs

Allocation By Total FTE:	FTE	%	Dollars
Natural Resource Tax Staff	12	42.86%	$41,625
Corporation Tax Staff	16	57.14%	55,499
Total Division General Fund Operating Costs	28	100.00%	$97,124

Travel Costs

Allocation By Audtior FTE:	FTE	%	Dollars
Natural Resource Tax Audit Staff	8	38.10%	$47,326
Corporation Tax Audit Staff	13	61.90%	76,905
Total Division General Fund Travel Costs	21	100.00%	$124,231

Table 3c
Natural Resource Bureau General Fund Used To Produce Non-General Fund Revenue
Fiscal 1995

Percent of Division General Fund Expenditures for Natural Resource Bureau

Natural Resource Bureau General Fund Fiscal 1994	$469,380
Division General Fund Expenditures Fiscal 1994	1,330,321
Percent of Division General Fund in Natural Resource Bureau 469,380/1,330,321	35.28%
Fiscal 1995 Division General Fund Appropriation	$1,334,840
Percent of General Fund in Natural Resource Bureau	35.28%
Fiscal 1995 Natural Resource Bureau General Fund Expenditures	470,974
Percent of Expenditures To Produce Non-General Fund Revenue	60%
General Fund Used To Produce Non-Gnenral Fund Revenue Fiscal 1995	$282,585

EX 4
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Table 4
Natural Resource Bureau
Estimated Fiscal 1994 State Special Revenue

Estimated Tax Collections During The Remainder Of Fiscal 1994

Tax Type	Estimated Collections	% Non-General Fund	Amount Of Tax Rate Applied To
Metal Mines License Tax	6,079,000	42.00%	2,553,180
Coal Severance	19,315,502	23.21%	4,483,128
Resource Indemnity Trust	4,518,000	100.00%	4,518,000
Coal Gross Proceeds	13,466,045	100.00%	13,466,045
Local Government Severance	13,227,565	100.00%	13,227,565
Estimated Tax Collections	56,606,112		38,247,918
General Fund Used To Produce Non-General Fund Revenue			282,000
Expenditure - Collection % (282,000/38,247,918)			0.737%
Actual Percentage To Be Used - Fiscal 1994			**1.000%**
Estimated Revenue To Special Account - Fiscal 1994 38,247,918 X 1.000%			382,479

Tax Administration Fee By Tax Type

	Amount Of Tax Rate Applied To	@ 1.000%
Metal Mines License Tax	2,553,180	25,532 *
Coal Severance	4,483,128	44,831
Resource Indemnity Trust	4,518,000	45,180
Coal Gross Proceeds	13,466,045	134,660 *
Local Government Severance	13,227,565	132,276 *
	38,247,918	382,479

* - Amounts Withheld From Counties - See Table 6 For Distribution Among Counties

Table 5
Natural Resource Bureau
Estimated Fiscal 1995 State Special Revenue

Estimated Tax Collections During Fiscal 1995

Tax Type	Estimated Collections	% Non-General Fund	Amount Of Tax Rate Applied To
Metal Mines License Tax	6,310,000	42.00%	2,650,200
Coal Severance	37,035,000	23.21%	8,595,824
Resource Indemnity Trust	4,655,000	100.00%	4,655,000
Coal Gross Proceeds	13,360,983	100.00%	13,360,983
Local Government Severance	25,347,480	100.00%	25,347,480
Estimated Tax Collections	86,708,463		54,609,487
General Fund Used To Produce Non-General Fund Revenue			282,000
Actual Percentage To Be Used – Fiscal 1995			**0.600%**
Estimated Revenue To Special Account – Fiscal 1995 54,609,487 X .600%			**327,657**

Tax Administration Fee By Tax Type

	Amount Of Tax Rate Applied To	@ 0.600%
Metal Mines License Tax	2,650,200	15,901 *
Coal Severance	8,595,824	51,575
Resource Indemnity Trust	4,655,000	27,930
Coal Gross Proceeds	13,360,983	80,166 *
Local Government Severance	25,347,480	152,085 *
	54,609,487	327,657

* – Amounts Withheld From Counties

EX 9
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Table 6
Corporation Tax Bureau
Allocation Of Costs Between General Fund and Non–General Fund

Personal Services	$519,834
Contracted Services	147,103
Operating Costs	55,499
Travel	76,905
Total Corporation Tax Bureau Costs	$799,341
1/13 Of Total Bureau Costs	61,488
80% Of 1/13 Of Costs	**$49,190**

Personal Services Fiscal 1994

Position #	FY 94 Salary	Benefits	Allocation %	Personal Services
7601	19,441	5,763		25,204
7901	16,144	5,203		21,347
7902	15,634	4,957	50.00%	10,296
7201	42,880	11,105		53,985
7401	36,692	9,406		46,098
7403	25,872	6,594		32,466
7404	32,744	8,378		41,122
7501	28,003	7,217		35,220
7502	32,744	8,378		41,122
7503	25,697	6,797		32,494
7504	28,378	7,280		35,658
7505	23,150	6,157		29,307
7507	30,787	7,664		38,451
7802	3,347	812		4,159
7906	23,150	6,159		29,309
7907	23,390	6,184		29,574
7701	21,674	6,371	50.00%	14,023
	Total Personal Services			**519,834**

Percent Of General Fund Costs To Distribution Of Corporation Tax Paid By Financial Institutions

Fiscal Year	General Fund Costs	Total Distributions	% Of Costs To Distributions
1990	49,000	4,935,836	0.99%
1991	49,000	8,208,014	0.60%
1992	49,000	5,137,646	0.95%
1993	49,000	8,161,912	0.60%
	4 Year Average		**0.79%**

EXHIBIT 10
18 Nov 93
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DEPARTMENT OF REVENUE
PROPERTY ASSESSMENT RESTRUCTURING

Overview

Montana's property assessment program is a major statewide function assigned to the Department of Revenue. Since the state now faces revenue shortages, cost savings opportunities must be considered for the property assessment program.

Cost savings can be achieved by restructuring the program and its organizational structure. An objective of the Property Division's recent strategic planning was to review the program and its organizational structure.

Three restructuring committees of employees, including employees from other divisions, provided findings and suggestions to a steering committee of employees and advisors from other agencies and outside of government. The steering committee considered the findings and suggestions of the employee committees and made recommendations to the Director of Revenue.

The committee's recommendations are the basis for the following Department proposal to change the property assessment division's structure and operations. The change will reduce the annual expenditures for property assessment by $1.2 million beginning in fiscal 1995.

Recommendations

- Reduce the annual funding of the Property Assessment Division by $1.2 million beginning in fiscal year 1995.
  - Budget reductions of $1.2 million annually can be achieved by restructuring the property assessment division.
  - Restructuring will impact the central office and the field operations similarly.
  - Workload determinations made by an employee committee should be used as a guide for staffing.
- Reduce the division's supervisory layers and "red tape".
  - Place greater responsibility in the field offices.
  - Eliminate the area management (middle management) structure as now defined.
  - Provide quality control review to ensure uniformity.

- Implement stringent accountability procedures.

- <u>Provide for a grouping or regional structure for appraisal and assessment functions.</u>

  - Combine counties into groups to effectively use staff.

  - Make one supervisor responsible for a group of counties.

  - Assign at least one employee to each county.

  - Use employee recommended workload determinations as a guide for staffing.

  - Adjust staffing levels to provide for peak-time employees, i.e. part-time or temporary employment.

- <u>Provide for a unified organization for valuation/assessment.</u>

  - Assign all valuation/assessment duties to the Department.

  - Combine appraisal and assessment personnel into a single office in each county under the leadership of a group supervisor.

  - Allow incumbent County Assessors to become state employees.

  - If the current elected Assessor does not choose to become a state employee and the county chooses to retain the separate office of elected Assessor, the Department will contract with the Assessors and the county for specific duties by the elected Assessor. Initially the Department will assign appropriate duties to the retained elected Assessor. Should this arrangement produce satisfactory work quality and output, the Department anticipates contracting with the county as long as the current elected Assessor retains their position. If the Department assigns duties to the elected Assessor, it will pay 50 percent of the Assessor's total compensation unless the elected Assessor performs other county duties.

  - Eliminate the appointed deputy assessor positions and allow incumbent deputies to become state employees.

- <u>Enact legislation to change the property assessment functions and organization. The Department's proposed legislation provides for the following changes:</u>

  1. Assignment of all valuation/assessment duties to the Department and elimination of references to agents and county assessors as they relate to those duties.

EX 10
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2. Flexibility in hours for the Department's county offices.

3. Adjustment of statutory date for listing and assessing livestock to reduce the division's workload.

4. Opportunities for the department to recover a portion of the costs of developing statewide property data bases.

5. Clarifying the eligibility of assessors and deputy assessors for the early retirement program and requiring the Department to pay the costs.

6. Opportunity for assessors and deputies to become state employees.

7. Establishment of an advisory committee on the responsibility for valuing motor vehicles.

- <u>Determine the cost savings and feasibility of each of the work efficiency suggestions.</u>

  - Efficiency suggestions from the employee committee not incorporated in the proposed legislation should be reviewed and considered for future legislation and implementation.

These recommendations contain concepts for creating a more efficient structure for property assessment administration in Montana. The implementation of these concepts will require additional study and planning to minimize negative impacts on employees. A number of positions in the Property Assessment Division have been held vacant to minimize the impact of restructuring.

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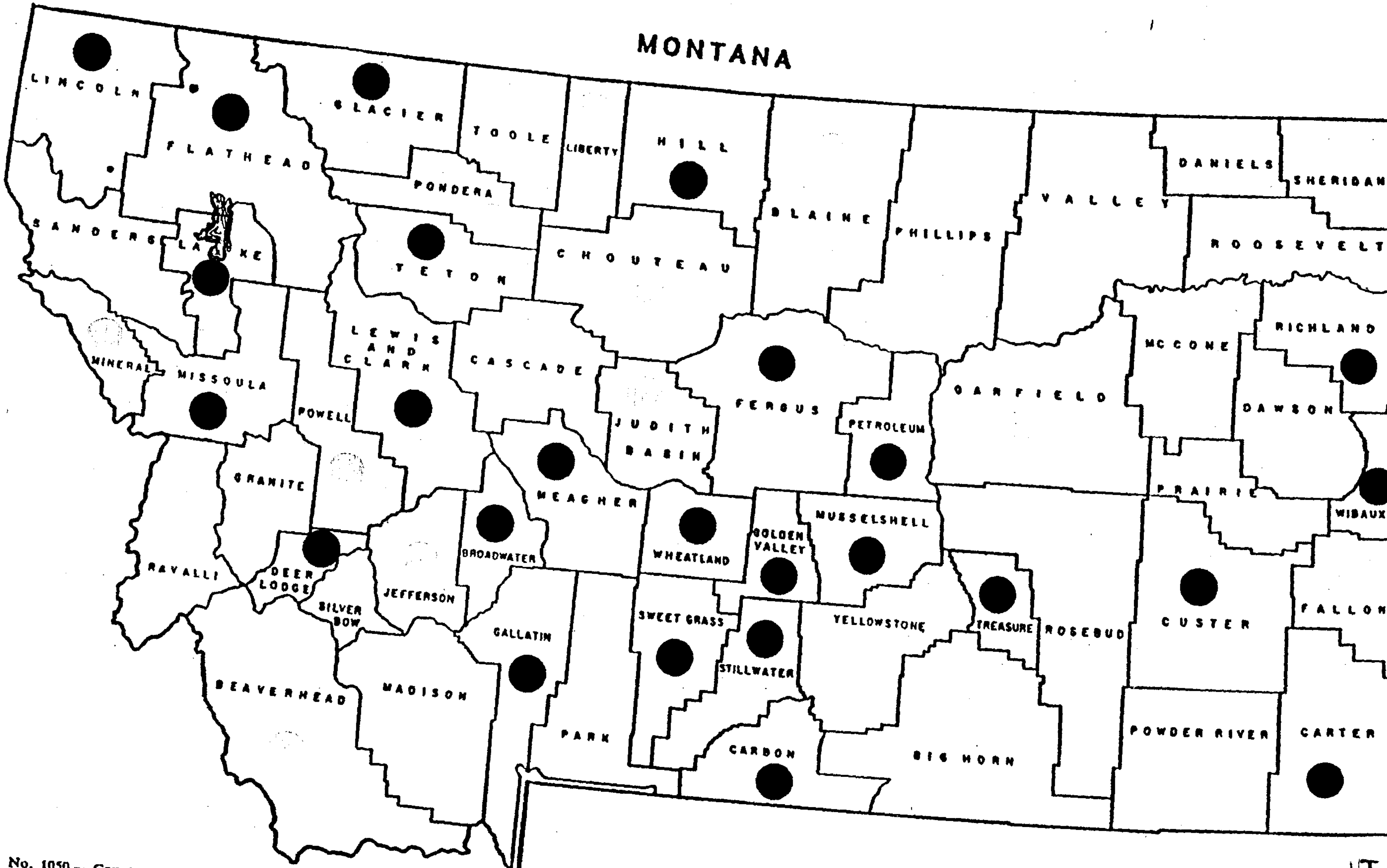

No. 1050 — County Outline Map

CONSOLIDATED COUNTIES

COUNTIES REQUESTING INFORMATION ON CONSOLIDATION

COUNTIES IN PROCESS OF CONSOLIDATING

CONTRACTED COUNTIES

EXHIBIT 11
DATE 18 NOV 93
HB
S.S. GEN GOV'T TRANSPORTATION

EXHIBIT 12
DATE 18 NOV 93
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State of Montana

Department of Revenue

Proposal to Privatize Retail Liquor Sales in Montana

November, 1993

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I. Introduction

The retail liquor privatization proposal outlined in this document is the result of the expressed desire of many taxpayers to remove state government from this function. It also increases the revenue return to the State of Montana by reducing costs through the elimination of liquor distribution via state liquor stores and agencies. The proposal will maintain all of the liquor control capabilities present in the current system and yet allow the private market place to operate. The proposed system is an extension of the trend toward semi-privatization that has already been implemented in the area of retail liquor sales. This proposal goes the next step and relies on existing licensees as market outlets. The extended implementation date of November 15, 1994 will allow for an orderly transition and equitable treatment of employees and agents.

Unlike past proposals, this concept has been fully developed and has been discussed with employee unions and agents. We are confident that the proposal addresses the concerns that have been expressed in past legislative sessions and recognizes the issues raised by employee unions and agents. Finally, adoption of this proposal will result in the one-time transfer of $3.5 million to the State's *General Fund* and an <u>annual</u> increase in revenue from liquor of $800,000. **Schedule A** shows the distribution of funds.

II. State Liquor System Background

A. History of Liquor Sales in Montana

With the repeal of prohibition, Montana chose to adopt a monopoly control over the distribution and sale of all alcoholic beverages, thus becoming a control state. In 1933 the State provided for the distribution of liquor through state-operated stores, the only retail outlets at that time. Four years later licensed taverns were allowed to sell liquor but could only purchase that liquor from a state store. Over the years there have been changes to the governing authority and operating requirements of the liquor enterprise, but the basic system has remained the same, with a little more than half of all sales from the state stores going to private licensed retailers.

The State of Montana currently operates 116 liquor outlets. Recent years have seen a decrease in the number of stores and a change in the method of operation. All of the 168 original stores were staffed by state employees, and in 1978 liquor division employees numbered 344. In 1973 the State began to contract with agents to operate state stores for a commission on sales. Today there are 26 stores staffed by approximately 75 full-time equivalent employees and 90 outlets operated by contract agents of the State. In 1979 the *Montana Legislature* authorized private distributors to begin the practice of buying table wine directly from producers for sale to private licensed retailers. The State gradually reduced its listings of table wine in response to this change and has eliminated all table wine shipments from the warehouse.

B. The Liquor Division Today

Among the 18 control states, only Montana and Alabama directly compete with private enterprise in the sale of liquor products for off-premise consumption. In the other 16 states, private licensed retailers are not permitted to sell liquor for off-premise consumption or sell at wholesale only. The Montana retail operation currently has both state employee operated stores and state agency operated stores. State employee operations account for about 65% of all liquor sales in the state; agency stores account for 35% of liquor sales. Agency stores are most often operated in conjunction with another business enterprise. The agencies do not own the liquor they sell but receive a commission on their sales. The system for retail sales has changed in response to various pressures to operate in a more efficient manner and, as a result, has approached a semi-privatized structure. The 1993 Legislative Assembly considered and passed **House Bill 279** which created a liquor agency store franchise. The franchise agreements must be effective for a ten year period and may be renewed every ten years. Almost all agency stores have executed franchise agreements with the liquor division. In addition to mutual termination agreements, the contracts contain language reflecting the statutory provision: *"When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal period, the contract must be canceled"*.

The State of Montana, like other control states, maintains complete control of the liquor wholesale function and operates the state central warehouse. Manufacturers, bottlers, and importers can only sell liquor to the State and only those products that are approved. The State of Montana is the only source of liquor supply. Five control states limit the state's role exclusively to a wholesale function.

III. Past Efforts to Privatize Retail Sales

The concept of removing the State from the business of retail sale of liquor is not new to the Montana legislative process in that proposals have been made in several past sessions. Several other states have recently moved from the historic model based on state operated retail outlets and others are currently evaluating similar changes. In all of these changes the states have had the necessity to protect the revenue stream provided by the sale of liquor.

During the 1991 Legislative Session, the *Department of Revenue (DOR)* proposed legislation that would privatize the state liquor store operation through **Senate Bill 458**. The bill proposed to benefit the State by cashing in the existing state retail liquor store inventory and contained provisions to maintain the number of outlets, protect the state revenue stream, and provide for state employee transition or ownership within the privatized system. The proposal failed to gain support at the committee hearing.

IV. Overview of 1993 Privatization Proposal

This privatization proposal involves the elimination of all state employee operated liquor stores and agent-operated liquor stores. It provides for the direct sale and delivery of liquor at statewide uniform wholesale prices from the state warehouse to approximately 1500 all-alcoholic beverages retail licensees authorized to do business under the current alcohol beverage control law.

Net cost reductions as a result of this proposal amount to $2.8 million per year. Of this, $800,000 will go to the general fund as increased revenue and $2 million will be used to establish the wholesale price of liquor from the warehouse by reducing the State's current selling price. This is being done to mitigate price increases that would certainly occur otherwise. Moreover,

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approximately $5 million will be realized on a one-time basis due to elimination of the State's investment in inventory in state liquor stores and agencies. Of this, $3.5 million will go to the general fund and $1.5 million will be used for employee benefits and incentive bonus, agent settlements and incentive bonus, lease settlements and incentive bonus and close-out on slow moving product. Schedule B shows in detail the purposes of the $1.5 million allocation.

A. Retail Outlets

No new retail liquor licenses will be established to replace the eliminated state liquor stores. Non-licensees account for approximately 45% of state liquor store sales; this market would shift to the existing 1500 all-alcoholic beverage retail licensees. The effect of this would be to reduce the number of retail alcoholic beverage outlets (by about 116) with many existing all-alcoholic beverage retail licensees improving their establishments to attract the new (to them) market of package liquor purchasers.

B. Volume and Prices

Total annual sales volume is not expected to change as a result of this proposal. The statewide wholesale price of product sold and delivered to private licensed retailers from the state warehouse will be lower than the State's current price of product sold at state liquor stores. The wholesale price will be sufficiently lower that private licensed retailers mark-up for retail sales should not cause a price increase for licensee's current customers who purchase drinks in the establishment. The package retail price that state liquor store customers currently experience will undoubtedly vary when package liquor is sold by licensees. Private licensed retailers' prices will depend on competition and individual business goals (e.g. package prices lowered to attract customers to an establishment -vs- package prices increased because of low volume). The State will continue to pass through suppliers' special sale prices on products they promote.

C. Product Selection

The State will continue to list and maintain products in the state warehouse under the same policies that exist now. Any liquor product, other than those that pander to a potential under-age market, that a supplier is willing to actively promote and stock in the bailment warehouse will be made available for wholesale. In addition, the State will arrange for special orders of products not regularly maintained in the warehouse. With the same base of product range that is currently available, we expect package retailing through existing private licensed retailers to be more attuned to community and neighborhood demand than currently exists in most of the state liquor stores. This is in part due to more package store outlets being established under this proposal and in part because the State's role in controlling inventory investment in local outlets will be eliminated.

D. Product Ordering and Shipping

Private licensed retailers will be able to order product from the state warehouse as frequently as once a week. A minimum order will be four cases. A licensee may order mixed item cases with a surcharge added for the service. The surcharge will be calculated to be no more than the direct cost of staffing and maintaining the repackaging operation and will be uniform throughout the state. Private licensed retailers will be able to order by mail or by phone. Provisions will be made on a case-by-case basis for computer ordering. We expect to be able to deliver an order to most licensees' doors on a scheduled weekly basis within 24 hours of the warehouse's receipt of an order. More remote locations may take somewhat longer depending on what transportation arrangements are available under *Public Service Commission (PSC)* requirements. All order shipments will be through common carriers authorized by the *PSC* to transport liquor.

E. Licensee Impacts

The most significant impact on existing all-alcoholic beverage retail licensees will be an increase in sales volume due to the shift in package sales from state liquor stores to the private licensed retailer (about an 80% increase). Associated with this will be the investment in improving licensees' premises and the necessary staff to accommodate package sales. Existing liquor licensing requirements will be maintained requiring that all-alcoholic beverages retail licensees maintain suitable premises defined by *DOR* rules which, among other requirements, mandate that a private licensed retailer must at least be open for on-premises business and may additionally provide for off-premise consumption sales; i.e. no free standing package stores are permitted. Additional requirements for operating a package liquor area on the licensed premises area are: entrance to the area cannot be the same entrance used for on-premise consumption; while the area is open to the public, a sales person must be physically present in the area; the area cannot be used for the sale of any other type of merchandise except items commonly associated with the sale of alcoholic beverages; conduct or operation of any types of gaming or gambling devices are not permitted in the area.

The occasional sale of packaged liquor from a bar will be permitted without meeting the additional requirements provided the private licensed retailer does not hold out in any manner or advertise the licensee's premises as a liquor store or package store. Sales of no more than four cases per month are considered occasional sales. Many licensees will experience an increased sales volume and will have the benefit of a provision for 14-day credit on wholesale purchases from the warehouse.

F. State Employee and Agent Impacts

All state employees who work in state liquor stores and most employees in central office jobs associated with the operation of state liquor stores will lose their jobs as will liquor store agents and their employees. Current law for reductions in force of state employees provide for hiring preferences to other state jobs, training of employees, severance pay, and payment of six months of health insurance. In addition, this proposal helps mitigate the impact of terminating state liquor stores by including a one-year delay in implementation of store closures, non-competitive transfer to open *DOR* jobs for which the employee is qualified, training employees to become qualified for *DOR* jobs, and a bonus incentive for employees to remain in their jobs until November 30, 1994 to help assure an orderly transition.

Lessors will be given an incentive to lease stores to the State through November 30, 1994, again to assure an orderly transition.

Agents will be paid for up to six months of unamortized investment costs that cannot be recouped due to store closures as well as a bonus incentive to continue operation of the agency until November 30, 1994.

Altogether, $1.5 million are budgeted for these transition costs as shown in **Schedule B.**

G. Implementation and Transition

No employee-operated or agent-operated liquor store will have to terminate before November 15, 1994 (i.e. the legislation will provide for mandatory closure after that date). It's likely, however, that some agents will voluntarily exit earlier as will some state employees although a bonus incentive to remain until November 30, 1994 is intended to minimize this. If an agent voluntarily terminates before November 15, 1994, the store will be permanently closed and product will continue to be available to the public and licensees through nearby stores or direct delivery from the warehouse. Stores affected by early termination of state employees will be handled similarly except that efforts will be made to hire replacements on a temporary basis until that becomes impractical.

H. Impact on State and Local Revenue

The revenue to local governments will be unaffected by the proposal itself. The traditional trends in sales volume and product selection will continue to operate to determine overall revenue. There may be a minor displacement of some local revenues as a result of private licensed retailers' response to the market and opportunity costs. The State's general fund revenue will increase by $800,000 per year from cost savings plus a $3.5 million one-time transfer of inventory value. The effective tax rates on liquor are unchanged.

V. Liquor Warehouse Operation

A. Transition to State Warehouse Function

This proposal provides a one-year transition period to assure continuity in the distribution and availability of liquor products, to give private licensed retailers who intend to operate package liquor stores on their licensed premises the time needed to make the changes that new control regulations will require, and to avail state employees and agents whose employment or contracts will terminate under the proposal sufficient time to initiate alternatives.

An increase in the number of liquor shipments from the warehouse to licensed establishments will require a major change in transportation. Currently, the *DOR* ships liquor to 116 outlets throughout the state every two weeks using common carriers authorized by the *PSC* to transport liquor. Under this proposal, shipments from the warehouse will increase to over 1500 licensed establishments once a week. Early in the transition year, the *DOR* will publish a description of the intended transportation service requirements and solicit information from all possible transportation companies about what needs to be included in a request for proposals in order for the company to submit a competitive proposal. Licensees will also be invited at this stage to make recommendations about what a request for transportation proposals should contain.

Three months after passage and approval, the *DOR* will publish a request for proposals in which minimum operating requirements and maximum costs will be specified. At a minimum, the request for proposals will require weekly scheduled shipments to each private licensed retailer at the licensee's place of business and the ability to deliver in compliance with local trucking ordinances and *PSC* requirements. The current plan is to select the best mix of carriers and interliners that may be needed to provide the required services. Selection of the best responses to the request for proposals will be made by the *DOR* Director from recommendations submitted by a committee of *DOR* personnel and all-alcoholic beverage retail licensees. If proposals are not at or below the projected average cost of $3.50 per shipped case, changes in service requirements will be negotiated to limit the cost.

Purchases of liquor from state liquor stores will continue through November 15, 1994, after which retail customers for packaged liquor will purchase from private licensed retailers who have received a package store endorsement on their licenses from the *DOR*. Licensees will also order liquor through state liquor stores until November 15, 1994, after which all shipments will be direct from the state liquor warehouse. There will be a month-long period before the November 15, 1994 cut off for private licensed retailers to purchase either at a state liquor store or, if necessary, get direct shipment from the warehouse, with purchases from either source at the new wholesale price. This transition is needed to deplete as much product as possible from the state liquor stores while allowing licensees to obtain sufficient inventory to begin their operations under the new regulations. All liquor purchases through November 15, 1994, whether at current State posted prices or the new wholesale prices will be credited at the current State posted prices to the state liquor store through which the product was ordered. This is for the purpose of paying commissions to agents and calculating the payroll bonus under the collective bargaining agreement between the State and state employees who work in state liquor stores.

Any slow moving products that remain in state liquor stores after November 15, 1994 will be put on sale at closeout prices with first purchase opportunity being open to all-alcoholic beverages retail licensees. Subsequently, the general public will be allowed to purchase any remaining products until November 30, 1994. No further sales from state liquor stores will occur after that date.

During the one-year transition period, *DOR* will make rule changes following public hearings to implement all of the provisions of law, including the requirements that private licensed retailers will have to meet to obtain a package liquor store endorsement. The transition period is intended to provide licensees who are interested in establishing their premises for package liquor sales with sufficient time to make the physical changes that will be required to operate after November 15, 1994. These requirements will apply to private licensed retailers who currently hold themselves out as a place of business for package liquor sales as well as those who may wish to open up for package liquor sales for the first time. An annual endorsement fee of $250 will be required. This is the same fee amount now required for catering endorsements. We anticipate no more than 300 licensees will establish their premises under the package liquor store endorsement.

Changes in operations at the state liquor warehouse central office will also be driven by the increased number of shipments. Orders for products will be coming from 1500 private licensed retailers instead of the 116 state liquor stores, and for the first time, accounts receivables for the purchase of liquor on 14-day credit will have to be managed. Additional staff to manage the increased orders and the accounts receivable will be needed. These increases, along with increased freight costs, will be more than offset by terminating employment of liquor store supervisors, auditors, managers, and clerks; the combining of two bureaus into one; and the elimination of lease and store operating costs and agency commissions. It will be important to keep as many employees and agents as possible operating through November 30, 1994 in order to properly close out the old operations and begin the new. To this end, the proposal includes provision of a bonus for those that do stay with *DOR* through closeout. **Schedule C** provides a summary comparison of the proposal to actual FY 1992 operations.

B. Privatization of Wholesale Function

It's reasonable to consider the privatization of the state's wholesale function when retail privatization is being examined. Our examination of the situation indicated that it only makes sense to complete the conversion of the retail operation before delving into the complexities of privatizing wholesale liquor. Any attempt to try to convert both retail and wholesale at once is too great a logistics problem and would risk disruption in the continuity of supply. Moreover, the privatization of liquor wholesale has not been studied in any depth previously. Retail privatization and its implications, on the other hand, have been studied frequently. The range of issues, especially liquor control issues, are well identified for retail privatization; not so for liquor wholesale privatization.

Obvious issues that would need to be addressed are possible impacts of wholesale price; changes on rural locations; whether wholesalers should be located within the boundaries of Montana; whether wholesaler contract arrangements with suppliers should be set up as Montana beer wholesalers or arranged as Montana wine distributors are, or something altogether different; whether wholesalers should have exclusive territories within the state or whether there should be wholesalers at all, allowing retailers to purchase directly from suppliers if suppliers are willing.

Other issues are likely to surface once serious exploration of the subject is undertaken. None of the known issues would necessarily preclude privatization of liquor wholesale; it's just that they need to be understood to establish a properly regulated private wholesale system. The effort to substantially change a 60-year-old system needs to be taken in stages. To embark on the privatization of liquor wholesale at this time is premature.

VI. Summary

The retail liquor sales privatization proposal outlined in this document has drawn on the experience of other states, the changes that have already occurred in the Montana system, and a desire to fashion an efficient and affordable proposal. We have attempted to recognize the strengths and weaknesses of the current system and solicited the input of those most affected by the proposal. The transition schedule and detailed employee and agency settlement recommendations acknowledge the State's obligations to its employees and agents. In adopting this proposal we have the opportunity to make a significant government restructuring decision. The liquor privatization concept has been debated in past legislative sessions. The time has come to make a decision to move forward with this proposal or to validate the current structure. *DOR* is recommending this restructuring based on the one-time and annual revenue to the general fund and the belief that the private sector is better suited to perform the retail sales function.

This document is intended to give the reader a good understanding of the privatization proposal. The legislation to implement this proposal will detail the concepts in statutory language. The *Department of Revenue* will be happy to respond to any questions and welcomes any comments that would improve this proposal or its implementation.

EX 1 —
11-18-93
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SCHEDULE A
FINANCIAL EFFECT OF ELIMINATING STATE STORES
AND PROVIDING DIRECT DELIVERY TO 1500 LICENSEES

PREPARED NOVEMBER 8, 1993

Funds made available through privatization:

Elimination of inventory investment:	$5,000,000	(one–time)
Operating cost reductions:	$2,800,000	(on–going)
Total for 1st 12 months:	$7,800,000	

Distribution of available funds:

Closeout costs for employees, leases, agents and loss on inventory:	$1,500,000	(one–time)
Transfer of assets to general fund:	$3,500,000	(one–time)
Reduction in selling price of liquor:	$2,000,000	(on–going)
Profit increase from operations:	$800,000	(on–going)
Total for 1st 12 months:	$7,800,000	

Note: 1st 12 months are December 1, 1994 through November 30, 1995.

SCHEDULE B
COSTS OF CONVERSION TO WHOLESALE FUNCTION

PREPARED NOVEMBER 8, 1993

EMPLOYEES:	
SEVERANCE PAY	$56,104
BENEFITS PAY OUT	$221,774
BONUS TO TERMINATION	$192,423
RETIREMENT OFFER	$32,923
TRAINING	$20,000
MEDICAL INSURANCE – 6 MOS.	$71,505
SUBTOTAL	$594,729
LEASES EXISTING STORES:	
BONUS TO TERMINATION	$80,012
AGENCY STORES:	
IMPROVEMENTS	$325,000
BONUS TO TERMINATION	$287,318
SUBTOTAL	$612,318
LOSS ON INVENTORY CLOSEOUT	$209,292
TOTAL REDUCTION OFF ONE–TIME INVENTORY TRANSFER OF ASSETS	$1,496,351

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SCHEDULE C
WHOLESALE MODEL FOR ELIMINATING STORES AND PROVIDING DIRECT DELIVERY TO 1500 LICENSEES

PREPARED NOVEMBER 8, 1993

	FY92 ACTUAL	WHOLESALE MODEL	INCREASE (DECREASE)	
COST OF GOODS				
PRODUCT	26,757,913	26,757,913		
FREIGHT	431,134	1,557,500		
	27,189,047	28,315,413	1,126,366	\1
OPERATING EXPENSES				
WAREHOUSE RECEIVINGS	178,851	143,587		
WAREHS FULL CASE SHIPMENTS	117,504	473,351		
WAREHOUSE REPACK SHIPMENTS	30,911	92,732		
REPACK CHARGES (OFFSET)	0	(61,821)		
	327,265	647,849	320,584	\2
INVENTORY ACQUISITION	96,168	76,174		
INVENTORY ANALYSIS	18,822	10,545		
STORE AUDITS	79,242	0		
	194,233	86,719	(107,514)	\3
STORE ORDER PROCESSING	262,624	407,740		
EMPLOYEE STORE SUPERVISION	70,639	0		
AGENCY STORE SUPERVISION	37,143	0		
CUSTOMER COMPLAINT RESOLUTION	0	24,410		
EMPLOYEE STORE EXPENSES	2,759,455	0		
AGENCY STORE EXPENSES	1,479,216	0		
ACCOUNTS RECEIVABLE	3,836	49,442		
	4,612,913	481,593	(4,131,320)	\4
CENTRALIZED COSTS	383,483	383,483	0	
	5,517,894	1,599,644	(3,918,250)	
GROSS COST	32,706,941	29,915,057	(2,791,884)	\5
DISTRIBUTIONS				
TO OTHER OPERATIONS	1,186,298	1,186,298		
LIQUOR TAXES	9,946,010	9,946,010		
PROFITS	4,066,047	4,866,047		
	15,198,355	15,998,355	800,000	\6
ADJUSTED GROSS OR WHOLESALE	47,905,296 \7	45,913,412	(1,991,884)	\8

1 Cost of goods increases by approximately $1.1 million because freight from the warehouse to local destinations increases from the current 116 destinations (state liquor stores) to approximately 1500 destinations (all–alcoholic beverage licensees).

2 Warehouse operating costs increase by $320,584 because 16 more people are needed to pick and prepare an increase in the number of shipments (from the current 116 locations every 2 weeks to approximately 1500 locations every week). Some of the mixed case repacking costs will be offset by a repack charge (estimated to be about 20 cents a repacked bottle). The warehouse chief's position is eliminated because this operation is being merged with the inventory bureau.

3 Inventory management costs reduce by $107,514 because 3 auditor positions and 1 inventory technician position are eliminated.

4 Distribution management costs are reduced by approximately $4 million because of the elimination of 74.5 FTE in stores, agent commisions, rent & utilities in stores, and 3 store supervisors. Eleven new positions are added for the increased number of purchase orders that need to be processed (similar to increased shipments) and the increase for 14–day credit on payment of purchases by licensees.

5 The net change in operating costs and freight is a cost reduction of approximately $2.8 million.

6 The $800,000 increase in distributions results from an increase in the profit which is a portion of the overall cost reduction. This proposal limits the profit increase to this amount. The balance of the $2.8 million cost reduction is used to reduce the price of liquor sold from the warehouse to licensees (also see note 8).

7 Adjusted gross for FY92 are the sales under the current system to licensees and non–licensee customers at 116 state liquor stores after the discount of $622,747 for full case purchases is deducted – in effect, the wholesale price under the current system.

8 The new wholesale price under the proposal is almost $2 million less than the selling price under the current system. This portion of the overal cost reduction of $2.8 million is used to mitigate possible retail price increases that may occur through the private market.

EXHIBIT 13
DATE 18 NOV. 93
HB 100a
J.S. GEN GOV'T + TRANSPORTATION

INCREASED RECOVERY OF GENERAL FUND COSTS FOR STATEWIDE SERVICES

Prepared by Department of Administration
November 17, 1993

I. State Funds Cost Allocation Plan (SFCAP)

- Purpose: to spread costs of providing certain general government services to nongeneral fund and nonfederal fund programs
- Allocates portion of prospective costs of operating OBPP and DofA's Accounting and State Personnel Divisions
- Accounts assessed indirect costs: state special revenue, proprietary, expendable trust, pension trust
  - o Accounts not assessed: general fund, federal funds, nonrecoverable funds
- Allocation based on indirect measures of workload generated by each agency in even-numbered base year
- Amounts collected deposited into state special revenue account
  - o Funds to operate programs appropriated from the account
  - o Unappropriated fund balance reverted to general fund
- Each agency determines from which source(s) (other than general, federal fund types) assessments will be paid
- Estimated general fund replacement:
  - o $343,000 in FY94
  - o $687,000 in FY95
- Expands state special revenue cost allocation plan approved by 1987 Legislature
  - o Authorized recovery of costs from state special revenue accounts that retained interest earnings
- Similar to method used to fund warrant writer and state payroll programs

(OVER)

II. Statewide Cost Allocation Plan (SWCAP)

- Currently, portion of indirect costs of certain statewide services are recovered through SWCAP
- SWCAP, developed by DofA, allocates indirect costs to each state agency
- Agencies must negotiate with federal agencies from which they receive funds to recover indirect costs
- SWCAP collections for FY92: approx. $500,000
- Incentive to aggressively negotiate for recovery of indirect costs is lacking
- Under executive proposal:
    - o SWCAP collections would be deposited into same state special revenue account as SFCAP collections
        - -- Exception: indirect costs collected by units of university system
    - o Creates incentive for DofA to maximize recovery because DofA's programs are funded in part through SWCAP collections

Costs associated with SFCAP/SWCAP proposal:

- 0.25 FTE in FY94 and 0.50 FTE in FY95 and thereafter
- Duties of position:
    - o Develop annual SFCAP
    - o Assist in preparing SWCAP
    - o Assist agencies in implementing SFCAP
    - o Monitor compliance with both plans

EXHIBIT 14
DATE 18 Nov. 93
HB 2002a
J.S. GEN GOV'T + TRANSPORTATION

Estimated SFCAP Assessments
revised 17-Nov-93

Agy#	Agency Name	FY94 Assessment	FY95 Assessment
1101	Legislative Auditor	835	1,676
1104	Legislative Council	217	432
1112	Consumer Council	179	358
2110	Judiciary	593	1,189
3201	Secretary of State	555	1,117
3401	State Auditor's Office	443	891
3501	Supt. of Pub Instruct	1,258	2,526
3511	Billings VoTech	462	925
3512	Butte VoTech	187	375
3513	Great Falls VoTech	554	1,112
3514	Helena VoTech	269	533
3515	Missoula VoTech	621	1,244
4107	Crime Control	261	522
4110	Justice	15,705	31,660
5101	Bd of Pub Ed	100	200
5102	Comm of Higher Ed	1,538	3,043
5103	University of Montana	29,317	58,590
5104	Montana State University	17,289	34,602
5105	Montana Tech	1,242	2,485
5106	Eastern Montana College	5,116	10,235
5107	Northern Montana College	1,999	3,995
5108	Western Montana College	1,414	2,825
5109	Ag Exper Station	325	647
5110	Coop Ext Service	645	1,283
5114	Montana Arts Council	300	597
5115	Library Commission	372	746
5117	Historical Society	929	1,862
5201	Fish, Wildlife & Parks	25,622	51,442
5301	Health	11,225	22,544
5401	Transportation	86,485	173,946
5501	State Lands	6,183	12,456
5603	Livestock	4,407	8,867
5706	Natural Resources	6,233	12,517
5801	Revenue	12,627	25,206
6101	Administration	20,685	41,306
6103	State Fund	23,880	47,516
6104	PERD	3,608	7,088
6105	TRS	2,257	4,544
6107	LRBP	1,088	2,159
6201	Agriculture	4,284	8,580
6401	Correctns & Human Serv	6,361	12,786
6501	Commerce	25,017	49,873
6602	Labor and Industry	8,617	17,360
6901	SRS	9,677	19,437
6911	Family Services	1,756	3,533
	TOTAL	342,737	686,830

EXHIBIT 15
DATE 18 Nov 93
HB
S.S. GEN GOV'T + TRANSPORT

STATE OF MONTANA
STATE TAX APPEAL BOARD
1209 8TH AVENUE
PO BOX 200138
HELENA, MONTANA 59620-0138

TELEPHONE: AREA CODE 406 444-2720
FAX NUMBER AREA CODE 406 444-3103

MARC RACICOT
GOVERNOR

November 18, 1993

Representative Mary Lou Peterson
Chairperson
General Government and Transportation Appropriations Subcommittee
Room 420
Capitol Building
Helena, Montana 59620

Dear Representative Peterson:

The State Tax Appeal Board approached the budget office and the legislature during the past regular session for authority to spend more money than was to be appropriated. We requested a budget modification of $294,797 for FY '94 and $69,893 for FY '95. Those figures were reduced to $147,400 for FY '94 and $34,947 for FY '95 by the budget office. The requested modification was not advanced out of the subcommittee. We based our request on a scenario that involved the reappraisal of property, the emotion over taxes in general, the awareness of the system, and the time we believed it would take the Dept. Of Revenue to complete the AB-26 review which they desired as a money saving activity.

It appears to us that the scenario has become fact. The Dept. of Administration has identified a possible $58,000 shortfall for this Board. In response to that, we did an inventory of the local appeal boards and the results are included in the accompanying documents. The figures may now vary from those at the date of compilation, but so will the budget figures.

Not only do we believe that the scenario has occurred for tax year 1993, we are of the opinion that it will continue for tax year 1994. Those taxpayers who did not appeal in 1993 because they were unaware of what the new appraised values on their property were going to translate into in the form of tax dollars, know that now, and many will appeal in 1994. The agricultural land reappraisal, and new timber land values are due to be sent out the spring of 1994 as well. This activity should bring new appeals with it.

It is important to us to bring this to your attention. The Board is well aware of budget constraints and the needs and desires of the taxpayers of this State. We are aware that the members of the legislature did not come to the special session for the purpose of giving programs additional funding. We ask that you review the material and consider the options.

Sincerely,

Patrick E. McKelvey

Patrick E. McKelvey
Chairman

copy: Dave Lewis, Governor's Budget Office

<u>STATUS OF COUNTY TAX APPEAL BOARDS AS OF 11/5/93</u>

The following counties are done and shouldn't cost us any more money for most of the remainder of FY94:

Big Horn	Blaine
Broadwater	Carbon
Carter	Chouteau
Custer	Daniels
Dawson	Fallon
Garfield	Glacier
Granite	Hill
Jefferson	Liberty
Lincoln	Madison
McCone	Meagher
Park	Phillips
Petroleum	Powder River
Pondera	Prairie
Powell	Sanders
Richland	Stillwater
Sheridan	Teton
Sweet Grass	Wheatland
Treasure	Golden Valley
Wibaux	Roosevelt

Beaverhead County: Beaverhead County has two appeals filed. The last batch of AB-26 results were mailed November 2, 30-50 forms. Estimate two days of hearings necessary for Beaverhead County to finish, based on chair's statement of importance to him of cramming as many as possible into a day of hearing. Estimated cost to finish: $600.

Cascade County: As of November 3, 1993, Cascade had 910 appeals left to hear (this number does not include new filings which may be received each day from taxpayers disatisfied with the results of their AB-26 review with the Department of Revenue. As of November 5, 1993, the Department of Revenue still had 1,628 AB-26 forms to process). The county tax appeal board is currently hearing 36 appeals per four day work week. At that rate, it will take about 6 1/2 months to finish their 1993 filings. It costs about $200 a day to fund the county tax appeal board ($45 honorarium times 3 board members plus 8 hours of secretarial time at $8.21 per hour). Thus, we estimate it will cost $22,000 to fund the Cascade County Tax Appeal Board for the approximate 104 days of hearings necessary to complete its current filings, including miscellaneous expense such as postage, copies and supplies.

Deer Lodge County: Deer Lodge County has 6 appeals left to hear, which will be heard the nights of November 3 and 9. They will meet to make decisions the night of November 4. The hearings will take approximately 5 hours, the decision making hearing will take approximately 3 hours, and two hours for the secretary to type up decisions and finalize. Estimated cost to complete Deer Lodge 1993 session: $620.

Fergus County has scheduled the remainder of their appeals for hearing on November 9. Estimated cost to complete **Fergus** 1993 session (one meeting assumed): **$250**

Flathead County had 766 appeals filed. They have heard 133 (including 89 Seipel appeals), and 65 have been withdrawn (25 of which are Seipel appeals). So, that leaves 568 left to hear; 505 of which are Seipel appeals. They have four days of hearings scheduled in November and five days of hearings scheduled in December. They are averaging 20 appeals per day. They will ask for an extension through the end of April 1994, but expect to be finished in March. The DOR started out with 3,400 AB-26's in Flathead County. They have completed all but 150. The DOR expects to finish the remaining 90 AB-26's by Tuesday, November 9, at the latest. So, assuming 20 appeals heard per day, it will take them about 29 days to finish, but they only schedule one or two weeks per month. Estimated cost to finish <u>known</u> filings: **$10,000.**

Gallatin County has 13 appeals left, including 7 Seipel appeals, which are scheduled for hearing on November 9 and 10. However, the DOR still has 200 AB-26's left to complete. Morris will ask for an extension through the end of December to allow the DOR more time to work the AB-26's. Estimated cost to complete known filings: $500.

Judith Basin County has 3 appeals to hear. Estimated cost to complete **Judith Basin** 1993 session (one meeting assumed:) $250

Lake County has 9 appeals scheduled for hearing on November 4, 9 scheduled for hearing on November 8 and 3 scheduled for November 19 plus 63 Seipel appeals which will be scheduled to hear in one day very shortly. The county is currently scheduling two days of hearings and then allowing the DOR two days for working its remaining 228 AB-26's. Since there is no current estimate on the time needed to complete the AB-26's, it's pretty difficult to estimate a completion cost. The estimated cost to complete the current actual filings is **$850.**

Lewis and Clark County received 9 new filings in the last few days. These 9 have been scheduled for hearing on November 15, 16, 17, 22 and 29. The last of the AB-26's were mailed Friday, October 29, so more appeals can be expected, especially since this mailing coincided with the mailing of the tax notices. Estimated cost to complete the <u>known</u> 11 appeals: **$800.**

Mineral County will be done on November 4. Estimated cost to finish (one more meeting): **$200**

Missoula County estimates 3 days of meetings will take them through the end of their 1993 session (two days of hearings and one day of decision making for the remaining six appeals). Estimated cost to complete: $500.

Musselshell County has one appeal to hear which will be scheduled sometime during the month of November. Estimated cost to complete:

$200.

Ravalli County has scheduled their last appeals for November 23. They may have one or two more appeals from recently completed AB-26's. Estimated cost to complete known appeals: $200.

Roosevelt County has one appeal to hear which is scheduled for hearing on November 8. Estimated cost to complete known appeals: $200.

Rosebud County has six appeals to hear which will be scheduled before November 30. These appeals and the decision making will be done in one day. Estimated cost to complete: $200.

Silver Bow County has 30 appeals left to hear which they estimate will take two days to hear. However, there are still 520 AB-26's left to work. They will ask for an extension until after January 1, 1994 to allow the DOR time to complete their AB-26 filings. Estimated cost to complete known filings: $500.

Toole County has six appeals filed. Three are Harvest States/Joe Seipel. Two days of hearings are needed which will be scheduled before November 30. AB-26 results mailed November 3 may result in a few more filings before the end of November. Estimated cost to complete: $400

Valley County received approximately 900 appeals of the old Glasgow Air Force base property (now being developed as retirement condos known as St. Marie) plus 29 other appeals, including Harvest States/Pacific Hide & Fur/Joe Seipel. They estimate one day to hear the air force properties and two days to finish the other 29. Acknowledging that this is perhaps an unrealistically optimistic estimate of their completion time, the estimated cost to complete is $1,100.

Yellowstone County received 175 appeals. With the exception of 7 residential appeals and 8-9 commercial appeals, all of these have been heard or will be heard on November 8, November 12 and November 15. All of the Seipel appeals have been heard. They schedule 6-7 appeals per each day of hearing, but end up hearing 3-4 due to withdrawals and no shows. However, the DOR still has 411 AB-26's left to complete. The county board estimates that they will receive about 250 of those as appeals, which is why they requested and received an extension until March 31, 1994 from us. Estimated cost to complete their <u>known</u> filings: $2000.

<u>TOTAL ESTIMATED COST TO FUND THE COUNTY TAX APPEAL BOARDS (KNOWN FILINGS ONLY): $41,720</u>

EX 10
11-18-93
J.S. GEN GOV'T
+ TRANSPORT

To address the heightened appeal load/county tax appeal board expenditure the tax appeal system is currently experiencing, these options are seen:

1) Do nothing and rely upon the assumptions made when the FY94-95 appropriation was approved by the Legislature.

2) Move STAB travel authority to county board authority to help fund the processing of appeals at county board level. This would free up approximately $6,000 by curtailing all STAB travel to the county seats to hear appeals. The disadvantage to this option would be the significant delay of hearings at the state level unless the taxpayer and the Department of Revenue would be willing to travel to Helena. Having the parties travel to Helena for hearing is not in accordance with the intent of § 15-2-301, but would not be in direct violation of either § 15-2-301 or 15-2-103. Also, transferring the state case load to FY 95 would compound the problem. We expect a further increase in appeal filings as a result of the upcoming statewide 1994 reappraisal of agricultural and timber land, and from an agitated public who did not avail themselves of their appeal rights in 1993, but who are upset after receiving their November 1993 tax bill.

3) Order the county tax appeal board to cease operation when it becomes apparent that we can no longer fund them. This action would necessarily delay the completion of the processing of the county level appeals, and could cause a number of taxpayers to obtain their requested value because of failure to be heard under § 15-15-103 (2): "If a county tax appeal board refuses or fails to hear a taxpayer's timely application for a reduction in valuation of property, the taxpayer's application is considered to be granted on the day following the board's final meeting for that year. The county treasurer shall enter the appraisal and classification sought in the application in the assessment book." Therefore, it is apparent that any curtailing of county tax appeal board activity is not without cost to entities outside state government. With taxpayers "winning" their appeals all over the state, due to the failure of the county tax appeal boards to hear their appeals, due to our mandate that they "cease and desist", we would anticipate the erosion of county tax bases. Additionally, ordering the county boards to stop their operations is not the practical solution since the local boards have historically resolved about 85 percent of the appeals filed. (The Joe Seipel phenomenon is changing that percentage since he appeals everything to STAB even when his taxpayer/client is happy with the Department of Revenue or county tax appeal board adjustment).

4) Request more appropriation. Please see attached worksheet forecasting a personal services deficit of $57,830 in FY 94.

VACANCY SAVINGS = 16,566
.5 % GENERAL FUND REDUCTION = 1,896

	SALARIES & BENEFITS	PER DIEM	TOTAL
BUDGET	263,765	49,983	313,748
FORECAST	277,832	93,746	371,578
DEFICIT	(14,067)	(43,763)	(57,830)

PER DIEM

28,845 DIVIDED BY 4 MONTHS = 7,211 X 9 = 64,901 TO GO
28,845 YTD

THRU NOV 4th = 2,925

93,746 FORECAST
49,983 BUDGET

(43,763) DEFICIT

4.5 FTE'S

THRU 10/15 = 19,884 DIVIDED BY 7 =
2,841/PP X 18.4 =

52,274 TO GO
19,983 YTD

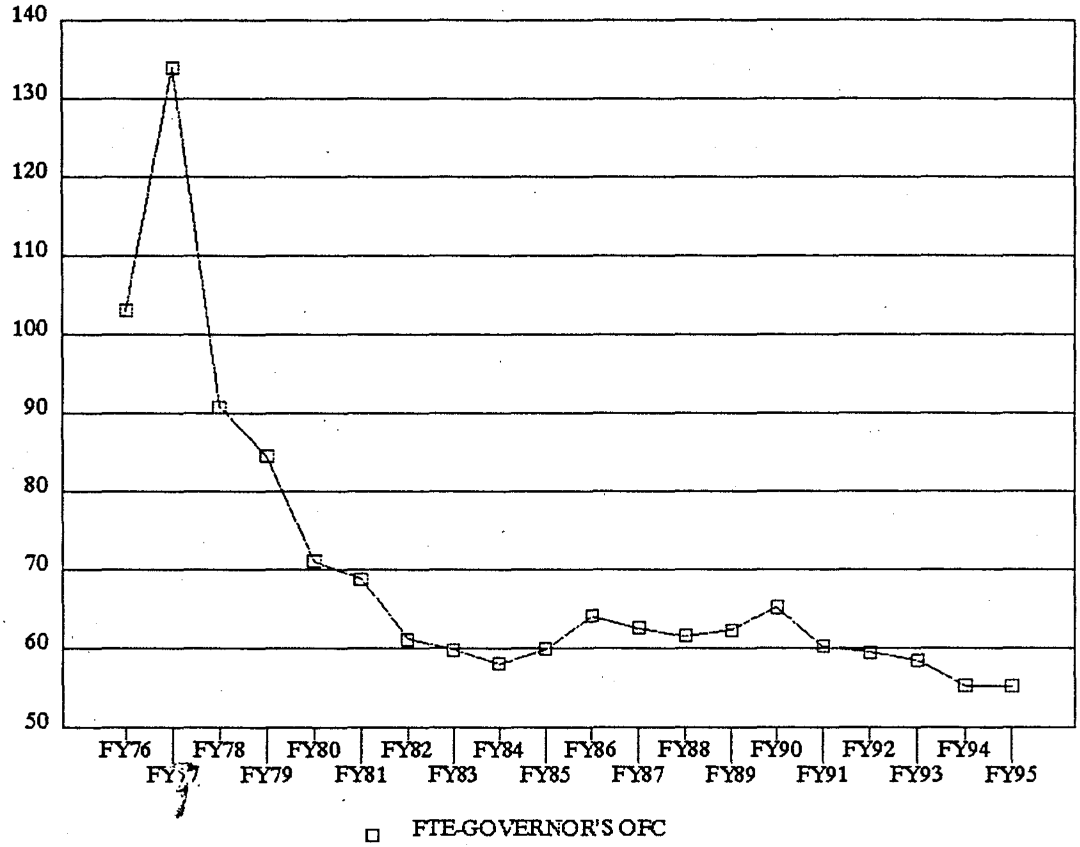
71,427 FORECAST
57,360 TO BREAK EVEN

(14,067) DEFICIT

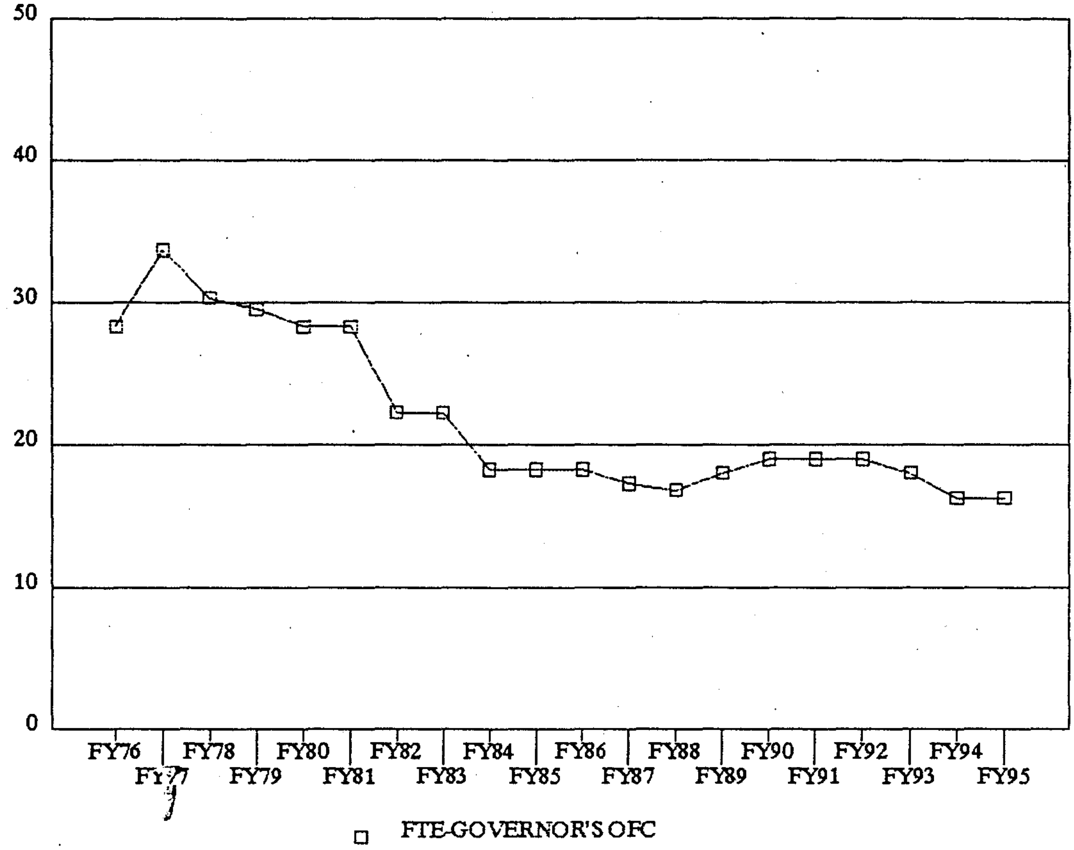
001

EXHIBIT 16
DATE 18 NOV 93
HB
J.S. GEN GOV'T + TRANSPORT

GOVERNOR'S OFFICE
FTE BY FISCAL YEAR - 1976-1995



BUDGET OFFICE
FTE BY FISCAL YEAR - 1976-1995



EX 16
11-18-93
S.S. GEN GO
+ TRANSPOI

Governor's Office - Comparison of Operating Budgets FY81 vs FY94 Adjusted For Inflation (CPI Index)					
	FY81	Adj 1.73	FY94	Diff	
Contracted Services	23,631	40,882	19,510	(21,372)	
Supplies	6,610	11,435	8,729	(2,706)	
Communications	36,600	63,318	38,071	(25,247)	
Travel	84,000	145,320	23,243	(122,077)	
Rent	24,152	41,783	41,653	(130)	
Repair & Maint	1,214	2,100	6,964	4,864	
Other Expenses	83,081	143,730	54,974	(88,756)	
Equipment	10,244	17,722	8,844	(8,878)	
	269,532	466,290	201,988	(264,302)	-98.06%
OBPP					
Contracted Services	58,410	101,049	37,626	(63,423)	
Supplies	4,395	7,603	6,918	(685)	
Communications	14,400	24,912	10,179	(14,733)	
Travel	8,510	14,722	3,168	(11,554)	
Rent	21,100	36,503	22,595	(13,908)	
Repair & Maint	4,000	6,920	7,320	400	
Other Expenses	5,310	9,186	22,816	13,630	
Equipment	0	0	30,346	30,346	
Total	116,125	200,895	140,968	(59,927)	-51.61%
Lt. Governor's Office					
Contracted Services	5,700	9,861	4,262	(5,599)	
Supplies	1,800	3,114	1,617	(1,497)	
Communications	8,500	14,705	6,373	(8,332)	
Travel	16,000	27,680	8,407	(19,273)	
Rent	4,170	7,214	768	(6,446)	
Repair & Maint	400	692	2,217	1,525	
Other Expenses	500	865	1,859	994	
Equipment	0	0	650	650	
Total	37,070	64,131	26,153	(37,978)	-102.45%

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Gen. Gov. & Trans. SUBCOMMITTEE DATE 18 NOV 93

DEPARTMENT(S) ______ DIVISION ______

PLEASE PRINT **PLEASE PRINT**

NAME	REPRESENTING	
Ed Argenbright	Pol Practices	
Vicki Cocchiarella	HD 59 (64)	
Jody Bird	HD52	
Diana Wyatt	HD 37	
Doug Mitchell	S.O.S.	
Dennis M. Taylor	JUSTICE	
Dean Roberts	Justice	
Rich English	Jeff Co. DUI Task force	
Joe Mazurek	Dept of Justice	
Cele Pohle	Mt Assessors Association	
Keith L. Colbo	✓ ✓ ✓	
Max Lenington	" " "	
CHUCK KRAUSE	" " "	
DONNA KENNEDY	" " "	
Gordon Morris	MACo	
Don Hoff	DOR	
Jeff Miller	DOR	
MARK LANGDORF	MPEA	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Gen Gov. & Trans. SUBCOMMITTEE DATE 18 NOV 93

DEPARTMENT(S) ______ DIVISION ______

PLEASE PRINT PLEASE PRINT

NAME	REPRESENTING	
Bill HANGAS	FWP	
Connie Griffith	Dept of Admin	
Cathy Reed	DOA	
Debra Fulton	DOA	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.