

Amendments to House Bill No. 2
Purple Reading Copy

EXHIBIT 15
DATE 3-6-95
HB 2

Requested by Representative Menahan
For the Committee on House Appropriations

Prepared by Roger Lloyd
March 4, 1995

1. Page C-2, line 7.

Strike: "4,836,299"

"4,867,028"

State Special, Fiscal 1996 & 1997

Insert: "5,083,931"

"5,025,068"

State Special, Fiscal 1996 & 1997

LFA will adjust totals

The amendments adds 4.00 FTE grade 13 game wardens to the Law Enforcement Division of the Department of Fish, Wildlife and Parks. Funding increases of \$247,632 in fiscal 1996 and \$158,040 include: 1) personal services - \$117,632 in fiscal 1996 and \$118,040 in fiscal 1997; 2) operating and training - \$50,000 in fiscal 1996 and \$40,000 in fiscal 1997; and 3) 4 vehicles - \$80,000 in fiscal 1996.

{Office of Legislative Fiscal Analyst

444-2986}

EXHIBIT 16
DATE 3-6-95
HB 2

Amendments to House Bill No. 2
Lavender Reading Copy

Requested by Representative Cobb
For the House Appropriations Committee

Prepared by Roger Lloyd
March 3, 1995

1. Page C-2, following line 13.
Insert: "e. Warden Retirement Costs (Biennial)
199,100"

State Special, Fiscal 1996

{Office of Legislative Fiscal Analyst

444-2986}

Amendments to House Bill No. 2
Purple Reading Copy

Requested by Representative Cobb
For the House Appropriations Committee

Prepared by Roger Lloyd
March 3, 1995

1. Page C-5, line 9.

Strike: "6,362,408" "3,652,602"

General Fund & State Special, Fiscal 1997

Insert: "6,277,150" "3,437,468"

General Fund & State Special, Fiscal 1997

2. Page C-5, following line 24.

Insert: "Item [forestry program] includes reductions of 9.08 FTE and \$85,258 in general fund money and \$215,134 in state special revenue money in fiscal year 1997 to implement the FTE and personal services savings due to the reorganization of the natural resource and commerce agencies, contingent on passage and approval of Senate Bill No. 234. The executive branch shall allocate these reductions among programs in the newly created departments of environmental quality and natural resource management and the department of commerce. If Senate Bill No. 234 is not passed and approved, \$85,258 in general fund money and \$215,134 in state special revenue money for 9.08 FTE are appropriated to the [forestry program] in fiscal year 1997."

EXHIBIT 18
DATE 3-6-95
HB 2

Amendments to House Bill No. 2
Lavender Reading Copy

Requested by Representative Kadas
For the Committee on House Appropriations

Prepared by Roger Lloyd
March 4, 1995

1. Page C-9, line 10.

Strike: "3,761,103"	"466,157"	"3,746,189"	"510,265"
State Special & Federal, Fiscal 1996 and Fiscal 1997			
Insert: "3,696,825"	"405,054"	"3,681,909"	"449,089"

This amendment reduces personal services in the Agricultural Sciences Division in the Department of Agriculture by \$64,278 state special revenue and \$61,103 federal special revenue in fiscal 1996 and by \$64,280 state special revenue and \$61,176 federal special revenue in fiscal 1997 for a vacancy savings rate of 7.31 percent.

{Office of Legislative Fiscal Analyst

444-2986}

Mr. Chairman, members of the committee, for the record I am Ed Smith. I served for 20 years in the State Legislature retiring in 1987. During that time I served in the Senate Finance and Claims Committee and as a member of that committee, I was on sub-committees which set the budget for dozens of State Agencies. I also served for 10 years on the Legislative Finance Committee.

For the past 4 years I have served on the Montana Highway Commission. So you can see, I have been on both sides of the budgeting process. Just because I am now serving on the Commission, my attitude about making State Government more efficient has not changed. Today I intend to point out to you how the Department of Transportation has become more efficient in the last several years.

The 1981 Legislature criticized the Department of Highways for lack of documentation for its budget amounts, FTE's, and revenue needs. The Legislature was also concerned about the deterioration of the highway system, the inability of the federal-aid program to fund the required improvements, and the level of funding and priorities of a long-range construction program. They mandated the Department of Highways to develop and use several management systems and develop long-range funding plans for the highway program.

In 1980, the Highway Department had a total of 2300 F.T.E.'s. Today there are 1934. This includes the 48.5 which were absorbed when the Highway Department became a Department of Transportation and assumed the responsibility for the Aeronautics, Rail, Transit, and Fuel Tax collections programs.

Our 97 biennium budget in the Maintenance Program is 115 fewer F.T.E.'s than we had in 1980. However, the number of lane miles of highway and the physical facilities such as a guardrail, traffic signals, storm drains and so forth were increased considerably and must be maintained.

In the last session of the Legislature the Transportation Department lost 215 of our most experienced and qualified staff under the early retirement legislation. Not only did we lose the needed staff to get projects ready for construction, but the buy-out of their accrued time cost another \$3 million.

It is important to note that these reductions have taken place at a time when the Department of Transportation was created, and required to incorporate new broad transportation planning responsibilities and collection and enforcement of motor fuel taxes. The staff losses will have an adverse ripple effect in the Department's operation for many years.

On behalf of the Commission I sent a letter to the Legislature dated March 11, 1993, stating our position on both F.T.E. and funding. I also included a letter from Hank Honeywell, Division Administrator from Federal Highway Administration. He stated his concern with proper staffing in the Department.
(Exhibit A)

In design and construction alone there has been a 32% reduction in staff. And after adjusting for inflation, the construction program has increased by 36%. During this same period, the Department was required to take on many additional duties to comply with new State & Federal regulations which the Department did not create. These regulations require additional work, equivalent to dozens of F.T.E.'s.

As you can see, the Department has severely reduced its staffing and cannot absorb future F.T.E. or funding cuts and be able to maintain current service levels. I strongly urge you to resist including the Department in "across-the-board" vacancy savings or FTE reductions. Application of an across-the-board vacancy savings will result in a reduction in services.

The Department continually looks for more ways to become efficient and they should be complimented for what they have accomplished. They have been able to maintain and actually

improve service levels and deliver a larger construction program through a combination of technological advances (CADD and other computerized applications), implementation of management systems, and privatization.

The Montana Department of Transportation is responsible for the maintenance of over 8,000 miles, and the design and construction of nearly 13,000 miles of highways and 4,500 public bridges which are in constant need of reconstruction and maintenance. Every State or Federal dollar the Department spends, is collected from the motorist who drives these highways. The Commission feels it is their responsibility to see that the motorist benefits from that investment.

There are several players in the operation of the Department of Transportation. They are the Director, Department Staff, the Federal Highway Administration, the Commission, the Governor, the Public Sector, and you the Legislature. You are the most important because you are our banker. In my farming and ranching operation, I go to the banker and together we set up an operations budget to determine how funds from that budget are to be used at different times for various purposes throughout the year. We both understand our agreement and we both abide by it. The Department of Transportation's budget which is before this committee, in reality, is no different.

It has not been an easy past two years for the Director, the Department staff, or the Commission. After the last session we learned that \$13.4 million of the tax increase was diverted. \$5.3 million to Department of Justice; \$2.6 million to Fish Wildlife and Parks; and \$5.5 million to cities.

I have another problem with the \$2.6 million to Fish Wildlife and Parks. By law, these road projects should be prioritized by the Highway Commission and the spending authority added to the Department of Transportation budget. It should not be in the long range building. (Exhibit B State Law)

Because of previous F.T.E. reduction combined with the early retirement program, it has been difficult for the department to get projects designed and ready for contract.

When States are not able to get contracts ready in time to use all of their Federal Aid Highway Funds, the money is put back in the Federal pot. Those States which have used all of their federal funds and have additional projects ready for contract can apply for funds which are called "grab bag" funds. (Exhibit C)

In the past, the Department had always asked for at least \$20 million out of that fund. This past year, because of insufficient staffing, and not having projects ready, the

Department only applied for \$3 million.

In December, the Department asked the Commission to approve the bid opening of \$40 million of highway construction projects. This was the last month we had to use Federal Fiscal 94 Funding. Because of the size of the bid letting it was done by opening half of the bids in the morning and the other half in the afternoon to create a more competitive process. We were told by the Federal Highway Administrator that in the future there had to be a more consistent level of construction bid lettings over the 12 month period or they may not participate with Federal matching funds. We all know without the \$6.69 Federal funds for every state dollar, there wouldn't be much highway construction.

In November, 1993 I sent a letter on behalf of the Commission to the special session opposing the removal of the \$9 million coal trust fund from the Department's budget. Since then, the Governor's Executive Budget has recommended cleansing the Highway Special Revenue account by removing the coal tax but also removing expenditures for the Department of Justice, Motor Vehicle Division this biennium (which has not been done) and the highway Patrol Division next biennium. If the coal tax is diverted, then the expenditure changes must be made.

(Exhibit D)

As I mentioned previously, the 1981 Legislature and subsequent legislative sessions have requested and approved long-range construction programs. However, it seems like during every session (including several special sessions), we have to justify these long-range programs from the beginning. These joint executive and legislative actions have resulted in tax increases, bonding programs, funding switches, fluctuating appropriation, and F.T.E. levels.

Highway construction takes long-range planning, in many cases up to five to six years for individual projects and a decade for long-range system planning. This must all be done with the uncertainty of long-range federal or state funding guarantees.

During the 1993 session, the Department's long-range plan indicated the need for a ten-cent fuel tax increase to match the federal and maintain a state-funded program past the year 2000 when the bonds were fully retired.

Although the seven-cent increase passed, the Department received only approximately five cents of this amount, or one-half of what we believed was necessary. The 1993 session ended with the acknowledgement that future legislatures would have to consider either future tax increases or program reductions.

Fortunately, the 1993 Session also changed the taxation point for diesel fuel which resulted in larger fuel revenues than anticipated. This immediate cash inflow has allowed the Department to merely continue the current level construction program as planned in the 1993 Session. It has also afforded an opportunity to restructure its bond financing and save additional interest costs.

I have handouts available for committee members showing the use of the seven-cent tax increase, as well as the total use of the highway revenue funds. Currently, only about 65 percent of the collected revenue is available for highway construction, maintenance and administration.

Mr. Chairman, the citizens of this state are consistently and clearly asking the department and the Highway Commission to provide more services, not less. They are paying user fees through fuel taxes and GVW permits and fees, to use the transportation infrastructure and they want that infrastructure improved and maintained.

In response, the department has submitted a budget proposal, that if approved by the legislature, will permit the most aggressive highway construction and maintenance program in the State's history. Now is the time to complete this construction, as there is no guarantee that the state's

federal aid program will remain at its current level of funding. In fact, all available information seems to indicate a substantial reduction in the Federal Aid Program in future years. Key elements of that proposal includes a \$25 million biennial increase in the State Funded construction program, a \$75,000,000 million biennial increase in the Federal Aid construction program, and a \$40 million decrease in the department's outstanding bond debt.

In addition, the department and the governor have embarked on a long range program that is designed to cleanse the Highway Earmarked Account by removing diversion to and from the fund, and still maintain the increased level of services demanded by the citizens of this state throughout at least the year 2006, with no further increase in fuel taxes. I encourage you to support the department's "no frills' executive budget as presented.

EXHIBIT 20
DATE 3-6-95
HB 2

Amendments to House Bill No. 2
Purple Reference Bill

Requested by Rep. Cobb
For the House Appropriations Committee

Prepared by Lorene Thorson
February 27, 1995

1. Page A-1, line 10.

Strike: "791,689" (general fund 1996) "816,993" (general fund 1997)

Insert: "809,196" (general fund 1996) "834,500" (general fund 1997)

LFA will adjust totals.

LFA

This amendment restores .8 FTE (Secretary III) and the accompanying personal services costs of \$17,507 each fiscal year. Since secretarial functions are essential, this reduction would require reorganization and likely reductions of legislative services.

{Office of Legislative Fiscal Analyst

444-2986}

EXHIBIT 21
DATE 3-6-95
HB 2

Amendments to House Bill No. 2
Committee Study Bill Reading Copy

Requested by Rep. Royal Johnson
For the Committee on Appropriations

Prepared by Robert Person
March 6, 1995

1. Page A-1.

Following: line 21

Insert: "3. Legislative Council Feed Bill (2) (Biennial)
14,000" (General Fund)

Legislative Council
Legislator Incoming WATS 800 Service Estimate
Estimate for Rep. R. Johnson
Fiscal Years 1996 – 1997

EXHIBIT 22
DATE 3-6-95
HB 2

Assumptions:

- All telephone services to be provided by ISD
- Charges will be coded to OE's in 2300 (Communications)
- Legislative Telephone Charges are covered in the Council Feed Bill Program (Pgm 2)
- Voice menu will be used to minimize personnel impact and provide 24 hour coverage
- Voice menu for 0 – 50 calls is sufficient to handle requirements
- Calling is restricted to legislators only
- Average call length will be 10 min. or less (compared to 2.5 min for Cit Adv.)
- The average number of calls a month will be
- The largest uncertain variables are call length and number of calls
- The availability of 24 hour voice mail coverage will improve communications productivity for staff and legisl
- Some call cost can be covered by reduced demand in the basic telephone budget
- This budget is for the 24 months in FY 96 and 97 only

Cost estimates:

Item	Cost	Basis
Voice Menu Install	100	\$100 one time only
Voice menu announcement	120	\$5 a month
Access Maintenance (Port Charge)	240	\$10 a month
Voice Menu – 25 (0–50 calls)	600	\$25 a month
In WATS 800 charges	12480	75 legislators calling an average of once a week
Contingency 5%	677	
Total Estimate	14217	
Total Recommended Amendment	14000	Rounded to an even number

EXHIBIT 23
DATE 3-6-95
~~HB~~ 2

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Rep. Grady
For the House Appropriations Committee

Prepared by Lorene Thorson
March 1, 1995

1. Page A-2, line 12.

Strike: "263,008" "260,712"

Insert: "274,789" "272,493"

LFA will adjust totals.

EQC - This amendment restores the personal services costs of \$11,781 general fund each year for the legislative committee members of the Environmental Quality Council.

{Office of Legislative Fiscal Analyst

444-2986}

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Cobb
For the Committee on House Appropriations

Prepared by Terri Perrigo
March 4, 1995

1. Page A-3.

Following: line 6

Insert: "b. Child Support - Missoula Pilot
(OTO/Biennial/Restricted)"
"12,500" (state special) "12,500" (federal funds)

LFA will amend totals.

This amendment adds a biennial appropriation of \$25,000 in fiscal 1996 to the Judiciary for a pilot project in Missoula county (and possibly other counties). The funds are state special and federal child support enforcement funds, and will be used to purchase equipment to facilitate computer communication between judges and child support enforcement officials. The equipment purchased in this pilot program will comply with the same standards as other judicial branch computer equipment being purchased for court automation activities.

{Office of Legislative Fiscal Analyst

444-2986}

Amendments to House Bill No. 2
Purple Reference Bill

Requested by Rep. ~~Cobb~~ *R. Johnson*
For the House Appropriations Committee

Prepared by Lorene Thorson
February 28, 1995

EXHIBIT 25
DATE 3-6-95
HB 2

1. Page A-4, following line 11.

Insert: "7. Mental Disabilities Board of Visitors (20)"

"147,737" (G.F. 1996) "61,611" (Fed. 1996) "147,812" (G.F. 1997) "61,972" (Fed. 1997)

LFA will adjust totals.

This amendment restores the appropriation for the Mental Disabilities Board of Visitors, with general fund \$7,100 less in fiscal 1997 than requested in the Executive Budget.

{Office of Legislative Fiscal Analyst

444-2986}

Amendments to House Bill No. 2
Purple Reference Copy

For the Committee on Appropriations

Prepared by Sandy Whitney
March 6, 1995

1. Page A-4, line 5.

Strike: "880,042"

"886,045"

Insert: "863,042"

"869,045"

2. Page A-4, following line 7.

Insert: "b. WEFA Contract (Restricted)

17,000

17,000"

(General fund fiscal 1996 and 1997)

LFA will adjust totals

This amendment establishes a line-item appropriation for the Wharton Econometrics Forecasting Analysis (WEFA) contract paid by OBPP in the Governor's office. This revenue forecasting service is utilized by OBPP, the LFA, and the UM Bureau of Business and Economic Research. OBPP has a custodial role for the appropriation.

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Kadas
For the Committee on House Appropriations

Prepared by Lisa Mader
March 6, 1995

1. Page A-4, line 11.

Strike: "57,912" "54,459"

Insert: "61,112" "56,259"

This amendment adds \$5,000 general fund for the biennium to allow the legislature use of the citizen's advocate service.

{Office of Legislative Fiscal Analyst

444-2986}

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Fisher
For the House Appropriations Committee

Prepared by Skip Culver
March 6, 1995

1. Page A-4, line 17.

Strike: "1,935,137" "1,900,691"

Insert: "1,900,570" "1,865,682"

LFA will adjust totals

Explanation: This amendment removes 1.0 FTE associated
with the bankruptcy coordinator new proposal. Funds
eliminated are proprietary funds.

{Office of Legislative Fiscal Analyst

444-2986}

Dept of Transportation

EXHIBIT 29

DATE 3-6-95

HB 2

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Feland
For the House Appropriations Committee

Prepared by Skip Culver
March 4, 1995

1. Page A-6, line 17.

Strike: "70,999,912" "77,331,098" (State Special
revenue)

Insert: "63,499,912" "69,831,098" (State special
revenue)

LFA will adjust totals.

EXPLANATION: This amendment is intended to reduce the Reconstruction trust program by \$7,500,000 per year (\$15 Mil over the biennium). This budget in HB2 for the RPT *RTF* program will be reduced from \$30 million to \$22.5 million in fiscal 1996 and reduced from \$35 million to \$27.5 million in fiscal 1997. The reconstruction trust program is for highway construction projects on which federal matching funds are not eligible.

{Office of Legislative Fiscal Analyst

444-2986}

APPROXIMATE AMOUNT OF FUEL TAX CURRENTLY GOING TO CITIES AND COUNTIES

	MILLION	CITIES	COUNTIES
Federal Aid Secondary	\$15.0		\$15.0
Federal Aid Urban	5.0	\$ 5.0	
Fuel Tax Distribution	16.8	10.5	6.3
Federal Aid Enhancement	5.4	2.5	2.9
Federal Aid Off System Bridge	4.3		4.3
Maintenance Pavement Pre-servation contracts on Secondaries	0.5		0.5
Bridge Inspections	0.4	0.1	0.3
Federal Aid Hazard Elimination	0.5	0.2	0.3
Management Systems that cover Secondaries and Urban	1.0	0.5	0.5
Save Our Secondaries (SOS)	15.0		15.0
Congestion Mitigation Air Quality (CMAQ)	5.0	5.0	
Funds spent on projects within city limits (NHS, Primary, Pavement Pre-servation, etc.)	15.9*	15.9	
Maintenance on Secondaries	1.2*		1.2
Maintenance on Routes which also serve as city streets	8.5**	8.5	

TOTAL	\$94.5	\$48.2	\$46.3

* 5 year average '90-'94

** 3 year average '92-'94

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Feland
For the House Appropriations Committee

Prepared by Skip Culver
March 4, 1995

1. Page A-6, line 17.

Strike: "70,999,912"	"184,547,524"	"77,331,098"	"190,105,823"
Insert: "71,240,593"	"185,348,433"	"78,099,578"	"194,314,685"

LFA will amend totals

Explanation: This amendment adds those funds requested in executive new proposals, that were not approved by the subcommittee, to the construction program and are directed for be used in the construction of highways.

The increases are:
fiscal 1996: state special +\$240,681; federal +\$800,909;
fiscal 1997: state special +\$768,480; federal +\$4,208,862

{Office of Legislative Fiscal Analyst

444-2986}

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Grady
For the House Appropriations Committee

Prepared by Skip Culver
March 6, 1995

1. Page A-6, line 16.
Following: "(02)".
Insert: "(Biennial)"

2. Page A-7.
Strike: Lines 24 and 25 in their entirety.

Explanation: This amendment removes language which, according legislative legal staff, is legally incorrect. According to the legal staff, language cannot authorize the transfer of an annual appropriation between fiscal years, by doing so it conflicts with statute. In order to give MDT the flexibility to manage their construction program appropriation between fiscal years, as is the intent of the subcommittee, this amendment authorizes the construction appropriation as a biennial appropriation.

{Office of Legislative Fiscal Analyst

444-2986}n

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Quilici
For the Committee on House Appropriations

Prepared by Terri Perrigo
March 5, 1995

1. Page A-8.

Following: line 20.

Insert: "a. EDI/EFT Programming (OTO/Restricted)"

"30,897" (general fund, 1996) "25,279" (state special,
1996)

"21,480" (general fund, 1997) "17,574" (state special,
1997)

LFA will amend totals.

This amendment adds 1.0 FTE and operating expenses for the 1997 biennium only to the Department of Revenue to allow continued development and expansion of electronic tax filing and funds transfer systems. The department began implementation of EDI/EFT in the 1995 biennium using existing staff and resources. The total amount added through this amendment is \$95,230 over the biennium, of which 55 percent is general fund (\$52,377) and 45 percent is state special revenue funds derived from old fund liability tax collections (\$42,853).

{Office of Legislative Fiscal Analyst

444-2986}

DEPARTMENT OF REVENUE - REQUEST FOR INCOME TAX DIVISION

Table I shows the requested amount and funding sources for the Income and Miscellaneous Tax Division New Proposals. The request is for \$109,227 of general fund and \$351,538 of Old Fund Liability Tax. Of the 4 FTE increase, only 1 FTE is permanent, the other 3 will be re-evaluated in formulating the budget for the 1999 biennium.

TABLE 1
Requested Funding for Income and Miscellaneous Tax Division

Proposal	FTE	Fiscal 1996		Fiscal 1997		Total Biennium	
		General Fund	Total Funds	General Fund	Total Funds	General Fund	OFLT Special
Programming	1.00	\$30,897	\$56,176	\$21,480	\$39,054	\$52,377	\$42,853
Liaison	1.00	28,403	51,642	28,447	51,721	56,850	46,513
OFLT Staff	2.00	0	136,786	0	125,395	0	262,181
TOTAL	4.00	\$59,300	\$244,604	\$49,927	\$216,170	\$109,227	\$351,547

1. Electronic Filing and Funds Transfer -- Programming

Adds for the 1997 biennium only, 1 Grade 15 Programmer, operating expenses, and equipment to allow continued development and expansion of electronic filing programs for both individual income tax and business tax filings and funds transfer. In addition to programming DOR systems, the programmer will address customer and financial institutions' concerns relative to transacting business with the Department electronically. The Department managed to develop a limited pilot program in 1995 with less than 20 of the 3,000 plus larger employers. The pilot allows them to file both payroll reports and tax payments electronically.

2. Electronic Filing and Funds Transfer --- Liaison

Adds 1 Grade 10 to act as a liaison, provide training and customer support in conjunction with the Departments' planned move toward electronic commerce. On the individual income tax side, Montana is one of 7 states to join a federal electronic filing project whereby state and federal returns are filed "electronically piggybacked" with the IRS' Ogden, Utah Service Center. The 1995 pilot program is very limited with only 5 authorized filing sites, which together are authorized to file less than 5,000 of the 440,000 returns expected in calendar year 1995. With the support of the programmer in #1 above and this liaison staff person, the Department intends to make the program available to virtually all Montana business and individual taxpayers for 1996 and beyond.

3. Old Fund Liability Tax Processing

Adds 2 staff for the 1997 biennium only. The staff will bank tax monies, process individual income and employer tax returns, correct errors, and insure compliance with this new tax. The impacts of bringing up this new tax were not adequately funded and the consequence has been to create unacceptable customer service levels. Steps already taken to mitigate this impact and utilize resource as efficiently as possible include: (1) reorganizing the mailroom, cashiering, coding, data entry, error correction and office audit document flow; (2) instituting tolerances; (3) reprioritizing work effort. Further steps are planned but are dependent upon Legislative approval of HB293.

The addition of the processing staff is required to achieve acceptable service levels which are a 6-week turnaround of business tax filings, an 8-10 week turnaround for timely filed refund claims, and timely processing of other tax responsibilities. Previous Legislatures have directed that special revenue tax types pay their own way as is now the case with other special taxes administered by the Department.

Even with the proposed new funding, the administrative overhead associated to the OFLT is only 1.1%, less than individual and other tax types. This reflects an economy of scale emanating from a consolidated administration of these employer-wage-based taxes.

DISCUSSION:

During the 1993 session, the Department was given the responsibility to collect the Old Fund Liability Tax from employers, employees and the equivalent of self-employed individuals in the State. The fiscal note for collecting Old Fund Liability Tax from employers was prepared early in the life of the bill. Substantial changes were made in the bill at the end of session and the Old Fund Liability Tax was extended to employees and self-employed also. For tax processing purposes, this equated to the addition of a totally new tax which was not considered in the appropriation bill. Therefore, during the 1995 biennium, the Department used general fund resources to process the Old Fund Liability Tax. The consequences were substantial delays in income tax refunds and delays in processing all types of tax filings.

The Department is continuously seeking ways to be more efficient so that new taxes and the ever-increasing demands of paper work can be handled without continuously seeking increased staff and space. The Department has taken steps to reduce the impact of administering this new tax which collected \$43 million in fiscal 1994 along with properly serving all other types of taxpayers. These steps involve trying to move into the electronic world and

using modern technology.

The request for the 2 FTE to implement electronic commerce at the Department will allow us to apply technology to better serve our customers and to handle increasing tax payments faster at no net additional cost. Concurrent with these new proposals, the Department requested the introduction of HB 293 which changes the calendar for employer filings and enables electronic filing and fund transmission to streamline employer remittances and filings. This bill generates \$700,000 of additional interest earnings and saves approximately \$1.6 million of Tax Anticipation Note expenses during the 1997 biennium.

The Department has also been working on three other main projects during the 1995 interim to reduce the workload and to contain costs for both the taxpayer and the Department.

1. HB 50 of the 1993 special session reduced the fiscal 1995 budget by \$1.2 million by combining all the staff working on property tasks and establishing a task force to find a way to handle the vehicle assessment work more efficiently. As a result of HB 50 and the expectation that the vehicle registration system would change as proposed in HB 363, 55.8 FTE were reduced. At the moment, HB 363 is tabled in House Tax and HB 389 would deconsolidate some of the assessor and appraisal staff, so part of the \$1.2 million of general fund saving may be reversed.

2. The Department facilitated discussion among industry representatives and local governments which receive oil and natural gas revenue to simplify the oil and natural gas laws. The laws are currently so complicated that we must consider adding staff, forgoing audit revenue, or revising the laws. SB 412 has been introduced to simplify the laws and administration of the taxes for the industry and government while maintaining the tax revenue base.

3. The Department of Revenue and the Department of Labor and Industry in response to Governor Racicot's request, formed a Task Force to identify improvements and methods of streamlining employer required filings. The result of that effort was to recommend a three phased plan to integrate virtually all employer-wage-based functions. Specifically these include employer registration, employer reporting and remittance, audit, compliance, and appeals and dispute resolution. This proposal is contained in HB 550 introduced at the request of both Departments.

STATE OF MONTANA - FISCAL NOTE

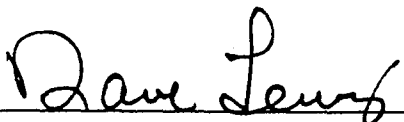
EXHIBIT 35DATE 3-6-95HB 2Fiscal Note for HB0293, as introducedDESCRIPTION OF PROPOSED LEGISLATION:

An act providing for the modernization of the state income tax withholding and old fund liability tax laws, by requiring the use of modern technology to file and remit taxes; aligning the timing of payment of withholding tax and old fund liability tax with the payment of federal withholding tax, thus reducing paperwork for both the employers and the state.

ASSUMPTIONS:

1. This legislation applies to state income withholding taxes and old fund liability taxes due for calendar year 1996 and thereafter.
2. The proposed law aligns the timing of payment of state withholding tax and old fund liability tax with the payment of federal withholding tax; this change results in more tax revenue being paid weekly or monthly that previously was remitted quarterly.
3. Withholding and old fund liability tax rates are assumed constant. Given constant tax rates and the accrual accounting system, the total amount of fiscal year tax collections will be the same under the proposed law as compared with current law.
4. All accruals are estimated exactly and are reversed immediately after collections are received.
5. The proposal results in increased interest earnings because of the acceleration of tax collections from quarterly to weekly or monthly.
6. Extra state government cash not needed for immediate expenditure is invested, by the Montana Board of Investments, through the vehicle of the Treasurer's Fund and the related Short-term Investment Pool (STIP).
7. Most of the investments made through the Treasurer's Fund are on a daily compounding basis (Montana Board of Investments).
8. The average annual interest rate for the Treasurer's Fund for FY 96 and 97 is approximately 5.6 percent (Revenue Oversight Committee, November 30, 1994).
9. For computational simplicity, monthly and quarterly (current law) collections are assumed to be received on the 15th of the month; all quarterly collections are assumed to be received in August, November, February, and May.
10. Tax and Revenue Anticipation Notes (TRANS) will be issued in October 1996, and the additional cash generated from this accelerated filing proposal will be used to reduce the amount of that issue. As a result, the additional cash flow generated by this proposal will no longer be available beyond October, 1996.
11. The payroll base on which the cash flow is generated, will grow at a annual rate of 5.5 percent (average for last 7 years).
12. This proposal generates additional net cash flow of \$47 million in the last half of FY 96 for withholding taxes, and for 3 months of FY 97.
13. Tax revenue anticipation notes (TRANS) are issued October 1st at a projected interest rate of 4.59% (ROC), repaid on June 30th.
14. Old Fund Liability Tax payroll tax accounts for 16% of combined OFLT/Income Tax withholdings.

(continued)

 1-26-95

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning



BOB REAM, PRIMARY SPONSOR DATE

Fiscal Note for HB0293, as introduced

HB 000

(continued)

FISCAL IMPACT: (continued)Expenditures:

	<u>FY96</u> <u>Difference</u>	<u>FY97</u> <u>Difference</u>
TRANS Debt Service (01)	0	(\$1,600,000)

The administrative costs associated with this proposal are part of the Income and Miscellaneous Tax Division's initiatives to automate Department of Revenue mail and cashiering functions, and enable EFT/EDI, and are addressed in the Executive Budget. To the extent that the funding for those proposals is approved in the appropriations process, the administrative cost of this proposal is zero.

To date, only the cashiering equipment was approved in the subcommittee process. If the EFT/EDI proposal is not funded, the Department will not have the resources to implement this bill.

Revenues:

There is no impact on total fiscal year tax collections. Both the general fund and the workers compensation payroll tax account would earn additional interest income.

	<u>FY96</u> <u>Difference</u>	<u>FY97</u> <u>Difference</u>
Treasurer's Fund Earnings:		
General Fund Interest (01)	420,000	504,000
TRANS Arbitrage Earnings (01)	0	(400,000)
WC Payroll Account (02)	<u>80,000</u>	<u>96,000</u>
Total	500,000	200,000

Net Impact: (Increased Fund Balance)

	<u>FY96</u> <u>Difference</u>	<u>FY97</u> <u>Difference</u>
General Fund (01)	420,000	1,704,000
WC Payroll Account (02)	80,000	96,000

EXHIBIT 36
DATE 3-6-95
HB 2

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Quilici
For the Committee on House Appropriations

Prepared by Terri Perrigo
March 5, 1995

1. Page A-8, line 20.

Strike: "4,255,450"	"608,173"	"4,219,211"	"605,021"
Insert: "4,283,853"	"631,412"	"4,247,658"	"628,295"

LFA will amend totals.

This amendment adds 1.0 FTE to act as a liaison, provide training, and customer support for the Department of Revenue to implement statewide electronic filing of taxes and electronic transfer of funds for payment of taxes. The total amount added through this amendment is \$103,363 over the biennium, of which 55 percent is general fund (\$56,850) and 45 percent is state special revenue from the old fund liability tax collections (\$46,513).

{Office of Legislative Fiscal Analyst

444-2986}

EXHIBIT 371

DATE 3-6-95

Amendments to House Bill No. 2 HB 2
Purple Reference Copy

Requested by Representative Quilici
For the Committee on House Appropriations

Prepared by Terri Perrigo
March 5, 1995

1. Page A-8.

Following: line 20

Insert:	"a.	Old	Fund	Liability	Tax	Processing
		(OTO/Restricted)"				
		"136,786"	(state special	1996)		
		"125,395"	(state special	1997)		

LFA will amend totals.

This amendment adds 2.0 FTE and operating expenses to the Department of Revenue for the 1997 biennium only to assist in the collection and processing of the old fund liability tax. Since implementation of the new tax customer service has diminished due to the amount of staff time involved in processing the returns. The amendment adds \$262,181 over the biennium, all of which is state special revenue derived from old fund liability tax collections.

{Office of Legislative Fiscal Analyst

444-2986}

Amendments to House Bill No. 2
Purple Reference Copy

Requested by Representative Zook
For the Committee on House Appropriations

Prepared by Terri Perrigo
March 6, 1995

1. Page A-8, line 24.

Strike: "13,074,089"

"13,329,932"

Insert: "13,098,569"

"13,354,412"

(general fund)

LFA will amend totals.

This amendment adds monthly network fee for counties to have direct line into CAMAS.

2. Page A-8.

Following: line 24

Insert: "a. County Camas "Hook-Up" Equipment (OTO/Biennial/Restricted)
101,700" (general fund)

This amendment adds OTO equipment money to purchase equipment to have counties hook into CAMAS.

{Office of Legislative Fiscal Analyst

444-2986}

**MONTANA
ASSOCIATION OF
COUNTIES**

2711 Airport Road
Helena, Montana 59601
(406) 442-5209
FAX (406) 442-5238

TO: Tom Zook, Chair, (H) Appropriations
Committee Members

FROM: Gordon Morris, Executive Director *Gordon Morris*

RE: MODS

DATE: March 6, 1995

The Montana Association of Counties in cooperation with Department of Revenue Director Mick Robinson urges the Committee's consideration of providing financial assistance to counties for the full realization of implementing the Montana Ownership Data Systems (MODS).

Financially strapped counties, particularly in eastern Montana, working with the Department, need state assistance in order to achieve the goals of sophisticated on - line data transfers essential to MODS. This will, in many cases, involve hard wiring county courthouses into the state's mainframe computer system, assisting in purchasing communication software and providing on-line network fees.

This is a necessary step in addressing county needs relative to data ownership and location, as well as maintaining the data base in as up-to-date mode as is possible. Commissioners generally are fearful that the state is moving to fully centralize and take over all aspects of property assessment and taxation.

Providing funding will serve to reinforce the need for a partnership in this effort and go a long ways to ease the fears of either being taken over or, at worst, left behind. Not all counties have an immediate need for your help. However, the ones that do will see this as evidence that they have and will continue to play a role as the local liaison between the taxpayer, the Appraisal/Assessment office and the Treasurer.

Thank you for considering this special request to assist counties in this effort.

GM/mrp

**Network Communication Cost Estimates
State & Local County Government
Computer Systems**

EXHIBIT 40

DATE 3-6-95

HB 2

County	Computer System	Line Installation	System Connection	Initial Costs (FY96-97)			TOTAL COSTS	Ongoing Costs (Network Fees)	
				Sys Profiles Vendors	PC Connection	Hard Drive Upgrade		FY96	FY97
Silver Bow	IBM System 36	\$160	\$4,500				\$4,660	\$480	\$480
Cascade	AS/400	\$160	\$4,500				\$4,660	\$480	\$480
Yellowstone	AS/400	\$160	\$4,500	\$300			\$4,960	\$480	\$480
Missoula	Unisys A14	\$160	\$4,500				\$4,660	\$480	\$480
Lewis & Clark	AS/400	\$160	\$4,500				\$4,660	\$480	\$480
Gallatin	NCR 9300	\$160	\$4,500				\$4,660	\$480	\$480
Flathead	Unisys A7	\$160	\$4,500				\$4,660	\$480	\$480
Fergus	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Powder River	Unisys	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Carbon		\$160		\$300	\$0	\$250	\$710	\$480	\$480
Phillips		\$160		\$300	\$0	\$250	\$710	\$480	\$480
Hill	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Ravalli	AS/400	\$160	\$4,500				\$4,660	\$480	\$480
Custer	NCR Mod 0704	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Lake		\$160		\$300	\$0	\$250	\$710	\$480	\$480
Dawson	NCR Tower 32-600	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Roosevelt	NCR 3410	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Beaverhead	Alpha Micro AM100L	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Chouteau	IBM System 36	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Valley	RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Toole	Arcus	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Big Horn	AT&T #B2-500	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Musselshell	AT&T PEC3344-615	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Blaine	IBM System 36	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Madison *		\$160		\$300	\$2,800		\$3,260	\$960	\$960
Pondera	AS/400	\$160	\$4,500	\$300			\$4,960	\$480	\$480
Richland	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Powell	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Rosebud	IBM RS6000	\$160	\$2,500	\$300	\$0	\$250	\$3,210	\$480	\$480
Deer Lodge		\$160		\$300	\$0	\$250	\$710	\$480	\$480
Teton		\$160		\$300	\$0	\$250	\$710	\$480	\$480
Stillwater	Alpha Micro	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Treasure							\$0		
Sheridan	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Sanders	IBM 486	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Judith Basin	MEGA	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Daniels	AT&T #B2-500	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Glacier	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Fallon	IBM RS6000	\$160	\$2,500	\$300	\$0	\$250	\$3,210	\$480	\$480
Sweet Grass							\$0		
McCone		\$160		\$300	\$0	\$250	\$710	\$480	\$480
Carter							\$0		
Broadwater	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Wheatland	MEGA	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Frontier							\$0		
Granite	IBM ST250	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Meagher	IBM 4226	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Liberty	IBM System 36	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Park	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
Garfield	NCR Tower 32-600	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Jefferson	IBM 3151	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Wibaux *							\$0		
Golden Valley							\$0		
Mineral	IBM 486	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Petroleum	DEVI (IBM Comp)	\$160		\$300	\$0	\$250	\$710	\$480	\$480
Lincoln	IBM RS6000	\$160	\$2,500	\$300			\$2,960	\$480	\$480
TOTALS		\$8,000	\$70,500	\$12,900	\$2,800	\$7,500	\$101,700	\$24,480	\$24,480

* SDLC Drops only!
LAN Offsite Locations
No County Computer System

Amendments to House Bill No. 2
Lavender Reading Copy

EXHIBIT 41
DATE 3-6-95
HB 2

Requested by the Office of Budget and Program Planning
For the Committee on House Appropriations

March 6, 1995

1. Page A-11, Line 12
Following: Line 11
Insert: "d. Personal Services Contingency (Biennial/Restricted/OTO)
500,000 [General Fund]
1,000,000" [Other]
2. Page A-12, Line 18
Following: Line 17
Insert: " Item [7d] contains biennial appropriations that the department and the office of budget and program planning may allocate to ~~executive branch~~ agencies (except the Montana university system), subject to the process described below, for personal services if the agencies did not experience normal turnover in an amount necessary to provide full funding for personal services. In allocating the personal services contingency funds, priority shall be given to small agencies. Amounts may be adjusted among fund types, excluding general fund, which may not be adjusted. Any agency requesting an allocation of these funds shall document in its request to the budget director that projected personal services expenditures will exceed program appropriations for personal services and the reasons for the deficit, and shall certify that no other budget authority in the agency is available. The office of budget and program planning shall provide an annual report to the legislative finance committee documenting all allocations of these personal services contingency funds."

EXHIBIT 42
DATE 3-6-95
HB 2

Amendments to House Bill No. 2
Purple Reading Copy

For the House Appropriations Committee

Prepared by Roger Lloyd
March 2, 1995

1. Page A-7, line 2.

Strike: "57,559,692"

"58,267,107"

State Special, FY 1996 and 1997

Insert: "57,757,045"

"57,464,460"

State Special, FY 1996 and 1997

2. Page A-7, following line 6.

Insert: "c. Weed Control (Restricted)"

"802,647"

"802,647"

State Special, FY 1996 and 1997

LFA will amend totals

This amendment line items weed control in the Department of Transportation.

{Office of Legislative Fiscal Analyst

444-2986}

Technical Amendments to House Bill No. 2
Purple Reference Copy

For the Committee on House Appropriations

Prepared by Lisa Mader/Shaina Ryan
March 6, 1995

1. Page A-3, line 6.

Strike: "20,000"

Insert: "22,727"

LFA will amend totals.

This technical amendment adds legislative audit costs to the Judiciary that were inadvertently left out of the Executive Budget. The addition totals \$2,727 general fund in fiscal 1996.

2. Page B-4, line 6.

Following: "Develop"

Strike: "LBRV's"

Insert: "RBRV's"

3. Page B-4, line 11.

Strike: "1,576,979" "7,713,774"

Insert: "1,573,412" "7,622,164"

4. Page B-4, line 13.

Strike: "1,865"

Insert: "5,432" (state special revenue fiscal 1996)
"91,610" (federal special revenue fiscal 1996)

5. Page B-4, line 17.

Strike: "2,326,239" "187,457" "8,838,596" "2,369,326" "187,457" "8,986,640"

Insert: "2,345,407" "192,087" "8,927,243" "2,388,695" "192,087" "9,076,037"

6. Page B-9, line 8.

Following: "No."

Strike: "378"

Insert: "83"

LFA will adjust the totals.

These amendments make several "clean up" changes to SRS and DFS. Item No. 2 corrects the name of the appropriation. Item Nos. 3 and 4 correct the legislative audit appropriation, which reallocates funds among line-items. No net change is made

to the total funds appropriated. Item No. 5 removes personal services reductions for direct service workers that were inadvertently applied to the vocational rehabilitation program and were not approved by the Human Services Subcommittee. It adds \$38,537 general fund, \$9,260 state special revenue, and \$196,044 federal funds for the biennium. Item No. 6 corrects a bill number reference.

7. Page A-9, line 11.

Strike: "reducing costs and"

This technical amendment strikes language inadvertently added to the Department of Revenue during the edit process. The words being stricken were not approved by the subcommittee.

8. Page D-6, line 4.

Following: "applies only to"

Strike: "federal funds" through "university system"

Insert: "state special funds received from the Montana university system, federal funds, and private funds"

The State Library NRIS program was given legislative contract authority to add state special revenue funds received from the Montana University System (MUS) without going through the budget amendment process. This amendment clarifies that the designation "received from the Montana university system" applies only to state special funds, and not to federal and private funds.

9. Page D-7, line 9.

Strike: "3,065,631"	"130,432	"1,567	"58,219"
Insert: "3,087,603"	"115,956"	"0"	"52,290"

10. Page D-7, line 11.

Strike: "142,528"

Insert: "120,556" general fund (FY96) "14,476" state special (FY96) "1,567" federal funds (FY96) "5,929" proprietary funds (FY96)

LFA will adjust totals

This amendment adjusts the funding for Department of Corrections and Human Services legislative audit. There is no impact on total costs.

11. Pages D-7 and D-8.

Strike: Page D-7, line 23 through page D-8, line 5 in their entirety

Insert: "Item 2 includes \$486,581 in general fund money each fiscal year that may be used only if the department of administration, personnel division, authorizes the reclassification of correctional officers.

If House Bill No. 304 is not passed and approved, item 2 is decreased by \$553,280 in general fund money in fiscal year 1997.

If House Bill No. 93 is not passed and approved, item 3 is decreased by \$105,534 in general fund money in fiscal year 1996 and \$114,202 in general fund money in fiscal year 1997.

If the Eastmont human services center does not remain in operation at current capacity, item 5 is decreased by \$22,865 in general fund money in fiscal year 1996 and \$22,944 in general fund money in fiscal year 1997 to fund 1.0 FTE in the Eastmont vocational program."

These amendments clarify language currently in the bill. There is no change in the impact of the language.

12. Page D-8, line 22.

Strike: "240,770" "1,313,496"

Insert: "236,629" "1,301,073"

13. Page D-8.

Following: line 22

Insert: "a. Legislative Audit (Restricted/Biennial)"

"4,141" (general fund) "12,423" (federal funds)

Renumber: subsequent subsection

14. Page D-9, line 1.

Strike: "542,750"

Insert: "534,468"

15. Page D-9.

Following: line 1

Insert: "a. Legislative Audit (Restricted/Biennial)"

8,282" (general fund)

LFA will amend totals.

These amendments add no funds, but line-item legislative audit costs in two programs in the Department of Military Affairs: the Disaster Coordination Response program and the Veterans Affairs program.

16. Page E-1, line 3.

Following: "Administration (06)"

Insert: "(Biennial)"

17. Page E-1, line 4.

Strike: "2,462,760" "4,450,108" "3,036,743" "4,914,719"

Insert: "3,062,760" "4,850,108" "2,436,743" "4,514,719"

18. Page E-1, line 7.

Strike: "(Restricted/Biennial)"

Insert: "(Biennial)"

The subcommittee reduced administration in the Office of Public Instruction by \$1.0 million over the biennium. ~ This amendment is necessary to reflect the \$1 million biennial reduction in the second year of the biennium, rather than the first, to allow biennial flexibility to the department. The amendment also allows compliance with subcommittee intent that a portion of the reduction be made in Central Service.

19. Page E-1, line 24.

Following: "(Restricted"

Insert: "/Biennial"

20. Page E-1, line 25."

Strike: "250,000" "250,000"

Insert: "500,000"

21. Page E-2, line 21.

Following: "Aid"

Insert: "(Biennial)"

These amendments reflect the subcommittee's intent that the Adult Basic Education and federal grants to schools through the Office of Public Instruction continue as biennial appropriations.