

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **CHAIRMAN ED GRADY**, on January 16, 1995, at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Edward J. "Ed" Grady, Chairman (R)
Sen. Thomas A. "Tom" Beck, Vice Chairman (R)
Rep. Gary Feland (R)
Sen. Eve Franklin (D)
Rep. Joe Quilici (D)

Members Excused: None

Members Absent: None

Staff Present: Terri Perrigo, Legislative Fiscal Analyst
Dan Gengler, Office of Budget & Program Planning
Rosa Fields, Committee Secretary

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

Committee Business Summary:

Hearing: Department of Revenue
Executive Action: Commissioner of Political Practice
Department of Revenue

EXECUTIVE ACTION ON COMMISSIONER OF POLITICAL PRACTICE

Tape No. 1:A

Discussion:

Ed Argenbright addressed the issue of the two FTE for implementation of I-118. He would like the new FTE to be approved at grade 12 to allow him to reorganize the office and have the flexibility to move two grade 11 employees, who are currently with the office, to grade 12. **Mr. Argenbright** said he met with Lorene Thorson, Legislative Fiscal Analyst (LFA) and John Patrick, Office of Budget and Program Planning (OBPP), and reduced the request originally made to fund the implementation of I-118 from \$201,073 to \$103,665 by reducing computer fees, printing costs, long distance telephone costs, equipment, and

contracted services. **Mr. Argenbright** requested \$103,665 for FY 1996, and \$91,015 for FY 1997.

BUDGET ITEM: Two FTE for FY 96 and FY 97

Tape 1:A:118

Motion/Vote: **SEN. BECK** moved to reconsider their actions on the FTE they reduced from the last executive action. **Motion carried unanimously.**

Motion/Vote: **SEN. BECK** moved to accept the request for \$103,665 for FY 96 and \$91,015 for FY 97. **Motion carried unanimously.**

EXECUTIVE ACTION ON DEPARTMENT OF REVENUE
PROPERTY EVALUATION

Tape 1:A:149

BUDGET ANALYSIS 1997 BIENNIUM VOL. I PAGE A-133 THROUGH A-136

Discussion: **Terri Perrigo, LFA**, addressed property valuation's present law personal services adjustment and pointed out the amount of savings that were carried forward in the 1997 biennium from the \$1.2 million reduction associated with passage and implementation of HB 50 in the November 1993 special session.

BUDGET ITEM: Property Valuation Personal Services

Tape 1:A:330

Motion: **REP. QUILICI** moved to accept the present law base adjustment of \$589,662 in FY 1996, and \$820,193 in FY 1997.

Discussion: **SEN. BECK** asked **Ms. Perrigo** to explain why there is a reduction of 59.9 FTE, but an increase in personal services of over \$650,000 per year in property valuation in the division's present law adjustment. **Ms. Perrigo** said this division had approximately \$1.2 million vacancy savings in FY94, due to early retirements and the restructuring included in HB 50. Therefore, the unexpended personal services costs had to be added back to the budget in order to make the personal services budget whole again. Then, there had to be additional money added in for continuation of the pay plan, workers' compensation code changes, increased benefit costs, and the reclassification of positions that these additions.

SEN. BECK asked **Mick Robinson** if there were benchmark upgrades in this figure. **Mr. Robinson** said there was a statewide benchmark appraisal review that automatically increased the pay rates under the reclassification. **Mr. Robinson** referred to Table 6 on Page A-132 stating that \$290,000 of the \$650,370 is a combination of reassignment of the workers' compensation codes and reclassification of appraisers. The difference is the vacancy savings that was added back in as a present law adjustment. However, in the personal services reduction new proposal over \$532,000 is taken back out in the 1997 biennium through vacancy

savings. Consequently the "net" included is only a little over \$100,000 in FY96.

SEN. BECK asked **Mr. Robinson** to explain the additional 16.5 FTE. **Mr. Robinson** distributed a handout regarding how HB 50 affected the movement of some of the assessors and deputy assessors from county employment to state employment. He said that in 12 counties, the appraisal and assessor offices are already consolidated and they plan on another 18 counties consolidating. As a result of this consolidation of offices, the division will be able to achieve the 45 FTE reduction mandated in HB 50.

Mr. Robinson said the \$1.2 million reduction also included in HB 50 was based on an estimate that 30 counties would consolidate, not 50 counties, which is the number that actually did consolidate.

Ms. Perrigo informed the members that all of the assessors and appraisers were budgeted at 0.7 FTE for FY94. The \$200,000 included in the present law adjustment is the cost of changing assessors, who became state employees upon passage of HB 50, from 0.7 FTE to 1.0 FTE. Page A-133 Vol. I

Tape 1:B

Vote: The motion carried unanimously.

Budget Item: Operating Expense

Discussion: **SEN. BECK** wanted to know why the new proposals included an increase to operating expenses of \$41,430 for FY96 and \$64,760 in FY97. Page A-131. **Ms. Perrigo** said the costs are related to computers, automated records, and the motor pool costs included in the new proposals. Page A-135 items #2 and #3

Mr. Robinson informed the members that in regard to the new proposal for Public Access/Automated Records, the public access terminals will be set up in the courthouses so the public can have direct access to information in regard to income and property tax records, etc. He said they are using old equipment for this and it is doing quite well. This will reduce the counter time of the employees pulling property tax records, etc. for the public. The motor pool lease new proposal is a savings, in addition to moving from a vehicle purchase situation to a monthly lease through the motor pool. **EXHIBIT 1**

Tape 1:B:375

Budget Item: New Proposals

Motion: **REP. QUILICI** moved to accept the executive budget new proposals for FY96 and FY97. Page A-134

Discussion: **CHAIRMAN GRADY** asked **Ms. Perrigo** to comment on the total net savings. **Ms. Perrigo** said if all of the new proposals were accepted, the net result would be a savings of \$208,000 in FY96, and \$185,000 in FY97, which is a reduction to the present law budget. With the reductions netted out there would be a net

addition to the base budget of approximately \$380,000 in FY96 and \$640,000 in FY97.

Budget Item: Public Access/Automated Records

Tape 1:B:405

Motion: SEN. BECK moved to amend the above motion to exclude item #2, public access/automated records, which includes \$29,400 in FY96 and \$14,400 in FY97.

Discussion: SEN. BECK asked Mary Whittinghill if this was really a necessity. Ms. Whittinghill said they are discovering that the terminals in the larger counties are frequently being used by the property accessors, realtors, appraisers, and others, and are allowing the technical people in the offices to spend more time with taxpayers who do not want to come in on a regular basis.

SEN. BECK asked if this same principle could be accomplished by these people using a modem with their personal computer systems rather than the state supplying the terminal and the information through the assessor's office. Ms. Whittinghill replied they are checking on modem transfers to share information with different counties, and updating both systems simultaneously. She understands that this will have to go through the Department of Administration. Ms. Whittinghill said that most of the money they are asking for is to pay the Department of Administration for the line charge.

Tape 1:B:728

BUDGET ITEM: Personal Services Reduction

Motion/Vote: SEN. BECK moved to approve the deletion of item #2, and approve the rest of the above motion. **Motion carried 3-2 with REP. FELAND and SEN. FRANKLIN voting no.** Page A-135.

BUDGET ITEM: Green Guide Books for Appraisals

Ms. Whittinghill informed the committee there was a Supreme Court decision that the green guide must be used for the appraisal of heavy equipment. The cost is \$30,000 for 20 sets, which are shared by the counties.

Tape 1:B:880

Motion/Vote: REP. QUILICI moved that this present law adjustment be approved as amended. **Motion carried unanimously.**

EXECUTIVE ACTION ON DEPARTMENT OF REVENUE
INCOME TAX DIVISION

Tape 1:B:913

BUDGET ANALYSIS 1997 BIENNIUM VOL. I, PAGE A-122 THROUGH A-127

Discussion: Ms. Perrigo referred to Page A-122 and A-123 showing the breakdown of the Income Tax Division. The base budget is \$4.6 million. She said the majority of the present law adjustment is identified on the table on Page A-124, and deals

with fixed costs and personal services totaling \$434,953 for FY96 and \$449,913 for FY97. She said there are new proposals that deal with automation, and feels it is related to the workload the department has. There is a personal services reduction that will generate approximately \$173,000 in FY96 and \$174,000 in FY97. This division has not really experienced much vacancy savings in the past, and this 5% vacancy savings reduction is greater than the average vacancy savings the division has experienced.

Tape 1:B:960

BUDGET ITEM: Present Law Personal Services
Base Adjustment for FY96 and FY97

Motion: REP. QUILICI moved to accept the present law base adjustment for FY96 and FY97.

Motion: SEN. BECK made a substitute motion to approve the FY94 base budget.

Vote: The motion to accept the present law base adjustment for FY96 and FY97 carried unanimously.

BUDGET ITEM: Fixed Costs

Discussion: REP. FELAND asked Ms. Perrigo to discuss the fixed cost increase. Ms. Perrigo said the division is mainly a general funded agency and has not had to pay for warrant writer or payroll costs in the past, because costs of those services were not charged to general fund-supported agencies. The warrant writer and payroll programs will no longer receive direct general fund appropriations in the 1997 biennium, but will charge their costs out to the rest of the agencies. It will affect the division because they previously did not have to incur the cost in their budget.

SEN. BECK asked when the subcommittee made a previous global motion did it include this cost in the inflation/deflation into the 1994 base fiscal budget. Ms. Perrigo said the motion was to approve in concept the fixed costs to be included in the division's budget with the knowledge that later on the subcommittee would be able to go back and adjust it, if necessary. SEN. BECK said if he made the motion to accept the base budget FY94, the subcommittee still needs a positive motion to include inflation/deflation and fixed costs. Ms. Perrigo said that is correct, but if that positive motion did not happen, then the subcommittee will have to go back into the 1994 base and decrease some other expenditures by an amount equal to items #1, 2, and 3 on the present law adjustment because those costs will still be incurred.

BUDGET ITEM: Income Tax Division
Inflation/Deflation and Fixed Costs

Motion/Vote: SEN. BECK moved to include the fixed costs and the inflation/deflation that would be charged to this division.

Motion carried unanimously. Page A-124

Discussion: REP. QUILICI asked Mick Robinson to explain the personal services in present law adjustment on Page A-124. Mr. Robinson said the personal services adjustment is an automatic budget process of adding back the vacancy savings in the present law adjustment and will give them fully funded positions which includes a 1½% salary increase that went into effect the beginning of this year, 1995.

Tape 2:A

Mr. Robinson addressed the vacancy savings issue.

Tape 2:A:65

BUDGET ITEM: Old Fund Liability Tax (OFLT)

Motion/Vote: REP. QUILICI moved to accept the OFLT proposal of \$136,086 and 5.5 FTE for FY96, and \$125,395 and 5.5 FTE for FY97. The motion failed 2-3 with REP. FELAND, CHAIRMAN GRADY and SEN. BECK voting no.

Discussion: SEN. BECK asked Ms. Perrigo if the subcommittee could use OFLT instead of general fund in the division, as it sounds like there's a lot more OFLT collection workload than is currently being supported with those funds. She said the subcommittee could substitute by doing a funding switch using this money and reducing general fund.

Motion/Vote: SEN. BECK made a substitute motion to add OFLT of \$136,786 in FY96 and \$125,395 in FY97 and reduce general fund by a like amount.

Vote: The motion failed 1 - 4 with SEN. BECK voting yes.

BUDGET ITEM: EDI/EFT and EDI/EFT Programming

Discussion: Ms. Perrigo addressed EDI/EFT and EDI/EFT Programming. Budget Analysis 1997 Biennium VOL. 1, Page A-125, Item #3. She said the request for two additional FTE will allow the pilot program to continue and add one programmer. The pilot program will be funded 45% state special revenue and 55% general fund, and the programmer will be funded 15% state special revenue and 85% general fund.

Mr. Robinson addressed the OFLT collection duties, and asked the subcommittee to transfer the administration of the OFLT back to the state fund. He said this is not the division's normal area to deal with, and it isn't general fund tax money. This is a state fund issue, and if the division doesn't have the resources

necessary to administer this tax properly it will affect a lot of the general fund areas in the department.

Tape 2:A:660

Motion/Vote: REP. QUILICI moved to approve the two new proposals of the executive budget items 2 and 3. EDI/EFT Programming funds of \$56,176 and 2.0 FTE in FY96, and \$51,721 and 2.0 in FY97. This reflects funding both proposals using the same funding split, an issue identified by the LFA which results in general fund savings of \$28,569 over the biennium. **Motion failed with REP. QUILICI and SEN. FRANKLIN voting yes.**

BUDGET ITEM: Corporation Tax

BUDGET ANALYSIS 1997 BIENNIUM VOL. I PAGE A-127

Discussion: Ms. Perrigo addressed the Corporation Tax Division issue in regard to the personal services reduction new proposal, which would reduce the division budget by over \$38,000 per year and eliminates 1.25 FTE. She said the LFA's contention in regard to using the savings to fund the pay plan is that there isn't any savings associated with over \$29,000 per year included in the proposal.

Tape 2:A:900

Motion/Vote: CHAIRMAN GRADY moved to accept the base budget for the Corporation Tax Division. **Motion carried 3 to 2.** Page A-127

**BUDGET ITEM: Item #2 Inflation/Deflation,
#3 Fixed Costs, and #6 Equipment**

Tape 2:B

Motion/Vote: CHAIRMAN GRADY moved to accept items #2 Inflation/Deflation, #3 Fixed Costs, and #6 Equipment of the present base law adjustments. **Motion carried unanimously.** Table on Page A-129.

BUDGET ITEM: Personal Services Base Budget

Motion/Vote: REP. QUILICI moved to accept item #1 personal services of \$170,064 for FY 96 and \$176,225 in FY 97. **Motion carried unanimously.** Page A-129

**BUDGET ITEM: Present Law Adjustment
for Personal Services Reduction New Proposal**

Tape 2:B:25

Motion/Vote: SEN. BECK moved to approve the executive new proposal for FY96 and FY97 for Personal Services Reduction. **Motion carried unanimously.**

Discussion: Ms. Perrigo addressed items #4 and 5, and informed the subcommittee that it is the Legislative Auditor's recommendation that the federal funds on item #5 should be added to the division budget. Currently the federal funds are automatically deposited into the general fund and the legislative

auditor feels the true costs of the program are not reflected under this process.

BUDGET ITEM: Federal Indirect Spending
Authority Present Law Adjustment

Tape 2:B:170

Motion/Vote: REP. FELAND moved to accept item #5 for \$20,792 in FY 96, and \$20,918 in FY 97. **Motion carried unanimously.**

BUDGET ITEM: Travel

Discussion: Mr. Robinson addressed the travel issue item #4. The travel authority for FY94 base was low because a larger percent of audits were in-state vs. out-of-state. The \$24,000 is divided between the federal royalty program and general fund. This will allow the division to use more of the general fund for out-of-state audits.

Tape 2:B:257

Motion: REP. QUILICI moved to accept the Executive Present Law Adjustment for travel of \$24,000 for FY 96, and \$24,000 in FY 97.

Tape 2:B:272

Motion: REP. FELAND made a substitute motion to adopt \$12,000 per year for travel instead of the \$24,000 per year.

Mick Robinson, Department of Revenue, said they will need guidance whether the money being reduced is the federal travel money or the general fund travel money.

SEN. FRANKLIN asked Mr. Robinson if the travel request is based on projections, and if the funds are reduced by half will this be adequate for out-of-state audits. Mr. Robinson said this will limit the out-of-state audits. He said the out-of-state corporations are bigger dollar amounts in terms of audits. The motion will mean the division will have to focus more on the in-state audits, which means less money. Mr. Robinson said this will have an impact on the state if the out-of-state travel is reduced.

Tape 2:B:447

Motion/Vote: Substitute motion to adopt \$12,000 per year for travel instead of \$24,000 per year. **Motion failed 3 to 2 with SEN. BECK, REP. QUILICI, and CHAIRMAN GRADY voting yes.**

Tape 2:B:461

Motion/Vote: Motion to adopt \$24,000 for FY96, and \$24,000 for FY97 for travel. **Motion carried 3 to 2 with SEN FRANKLIN and REP. FELAND voting no.**

Tape 2:B:

BUDGET ITEM: Miscellaneous

Discussed: Mr. Robinson discussed Miscellaneous item #7. It allows \$10,000 for contracted services for federal special revenue, and the remaining amount are dues paid to the multi-state tax commission; national organization of tax auditors;

audit program done by national audits; and four fee increases on audits that more than pay for themselves from audit revenues.

Motion/Vote: SEN. BECK moved to accept the executive proposal for Miscellaneous costs of \$11,596 in FY96, and \$15,911 for FY97. **Motion carried unanimously.**

Ms. Perrigo said the personal services reduction that was approved as part of the new proposal eliminates 0.25 FTE that is federally funded. The FTE reduction is approximately \$10,000 per year, but that same amount is added back into the budget under contracted services.

BUDGET ITEM: Present Law Adjustment for Travel

Tape 2:B:625

Motion/Vote: REP. QUILICI moved to accept executive budget for present law adjustment for travel in FY96 and FY97. **Motion carried 4 to 1 with CHAIRMAN GRADY voting no.**

ADJOURNMENT

Adjournment: 11:20 a.m.



CHAIRMAN ED GRADY, Chairman



ROSA FIELDS, Secretary

EG/rf

State of Montana

Marc Racicot, Governor

EXHIBIT 1

DATE 1/14/95

HB Dept Revenue



Department of Revenue

Mick Robinson, Director

Operations Division

Brenda Haseman, Administrator

TO: Representative Ed Grady, Chairman
General Government Subcommittee of House Appropriations

FROM: Mick Robinson, Director Department of Revenue *MR*

SUBJECT: Interest Earnings Associated to Mailroom Automation

DATE: January 14, 1995

We appreciate the Subcommittee's approval of the Department's plan to automate our mailroom and cashing functions. In our discussions, we gave the Committee the assurance this equipment was projected to pay for itself quickly and create positive interest earnings for the State thereafter. The following is a further explanation.

The Department has two initiatives before the 54th Legislature affecting our mailroom/cashing functions. The first is the budget initiative to **automate**. The second is a legislative proposal to **accelerate** the due dates of business tax filings and enable electronic filing and funds transfer. Both initiatives improve cash flow and thus interest earnings for the State.

Automation will improve the State's interest earnings because the Department will cash the high volume of withholding payments received each year within five days of receipt. Our estimate of the interest earnings associated with the initiative you have already approved is in excess of \$105,000 for the biennium assuming a January 1, 1996 implementation. This improved interest earnings is expected to be well above the \$84,930 (\$234,930 - 150,000) new spending authorized by the Subcommittee.

Acceleration if approved, will require businesses in the state to remit taxes withheld monthly, as well, enable the reports and money transfers to be done electronically. The increased volume of payments and paper could not be timely processed without the equipment approved above. The two proposals are related and the \$217,000 of improved interest earnings discussed with the Subcommittee Friday is the sum of the \$105,000 above (getting the money in the bank sooner), and an additional \$112,000 for the biennium, because millions of dollars are available for investment sooner. In both instances, the improved interest earnings were calculated based on assumptions confirmed by the Board of Investments.

HOUSE OF REPRESENTATIVES
VISITORS REGISTER

General Government SUB-COMMITTEE DATE 1-16-95

BILL NO. _____ SPONSOR(S) _____

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	Support	Oppose
Duky Hubbard	Pol. Practices		
Ed Argenbright	Com. Pol Practices		

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

HR:1993

wp:visbcom.man

CS-14