

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
58th LEGISLATURE - REGULAR SESSION**

**JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND
TRANSPORTATION**

Call to Order: By **CHAIRMAN JOHN BRUEGGEMAN**, on February 3, 2003
at 10:10 A.M., in Room 317-B Capitol.

ROLL CALL

Members Present:

Rep. John Brueggeman, Chairman (R)
Sen. Rick Laible, Vice Chairman (R)
Sen. Gregory D. Barkus (R)
Sen. Mike Cooney (D)
Rep. Monica Lindeen (D)
Rep. John Sinrud (R)

Members Excused: None.

Members Absent: None.

Staff Present: Matt Bugni, OBPP
Greg DeWitt, Legislative Branch
Christi Moyer, OBPP
Amy Sassano, OBPP
Misty Shea, Committee Secretary
Lynn Zanto, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed. Tape stamps indicate information that is found below.

Committee Business Summary:

Hearing & Date Posted:
Executive Action: Department of Revenue (DOR)

{Tape: 1; Side: A; Approx. Time Counter: 0 - 14}

Department of Revenue Executive Action

Greg DeWitt, LFD, pointed out a standard motions handout he provided, and explained to the committee a sheet he prepared for them incorporating a budget analysis report with the DOR-modified requests. **CHAIRMAN BRUEGGEMAN** and **Mr. DeWitt** addressed how committee members are to specify clear intent when making motions, as the negative decision packages (DP's) are to be applied. Confusion was expressed, and **Mr. DeWitt** clarified that the 2003 base is the lowest for the DOR, and there is one unspecified DP that brings them down to that desired end point. He said the goal is to use the negative DP's to reduce the amount of the unspecified reduction. **CHAIRMAN BRUEGGEMAN** instructed the committee as to the first motion they need to start off, and he informed them that the general fund base has already been adopted.

EXHIBIT (jgh23a01)

EXHIBIT (jgh23a02)

Motion: SEN. BARKUS moved to adopt the FISCAL 2002 BASE FOR ALL FUNDING EXCEPT THE GENERAL FUND, AND TO APPROVE ALL THE STATEWIDE PRESENT LAW ADJUSTMENTS AS REQUESTED FOR ALL FUNDS.

Vote: Motion carried 6-0 by voice vote.

SEN. BARKUS and **Mr. DeWitt** went over what happens when a negative decision package is approved and not. Then **SEN. LAIBLE** and **Mr. DeWitt** discussed the subject by example for the understanding of the committee. **CHAIRMAN BRUEGGEMAN** stated that what they are doing is specifying where the reductions are going to come from instead of making new cuts.

{Tape: 1; Side: A; Approx. Time Counter: 14 - 30}

Director's Office

New Proposals

Motion: SEN. LAIBLE moved DP 102 TO REDUCE THE AGENCY SUPPORT FUNCTIONS - POLICY PERFORMANCE - THEREBY OFFSETTING THE UNSPECIFIED REDUCTION.

Vote: Motion carried 6-0 by voice vote.

Information Technology Program Division

New Proposals

SEN. COONEY clarified what the committee had done, and **Mr. DeWitt** explained the next action to be taken or not on the Information Technology Program and their budget requests. **SEN. BARKUS** asked Kurt Alme, DOR Director, to explain the DP's related to POINTS. **Mr. Alme** stated that by discontinuing POINTS Phase II, the agency is expecting certain savings and he explained this in its current standing. **CHAIRMAN BRUEGGEMAN** spoke about cleaning up what is remaining in the department to clarify for committee members the intent of their actions.

Jody Brandt, DOR, explained how the DP to discontinue POINTS II ended up going into two separate programs: Compliance Valuation and Resolution, and Information Technology; therefore, the title of DP 210 is misleading. **REP. LINDEEN** asked if there was any bonding money left from POINTS **Ms. Brandt** responded that there is roughly \$134,000 and some from the POINTS II bond. **REP. LINDEEN, CHAIRMAN BRUEGGEMAN,** and **Director Alme** discussed whether or not the money would be needed in the long term to stabilize and maintain POINTS. They concluded that they would be revisiting the issue again soon.

Motion/Vote: SEN. LAIBLE moved that DP 210 DISCONTINUING POINTS PHASE II AS A ONE-TIME-ONLY APPROPRIATION BE ADOPTED. **Motion carried 6-0** by voice vote.

Resource Management Division

New Proposals

Motion/Vote: REP. LINDEEN moved that DP 504 REDUCE AGENCY SUPPORT FUNCTION RESOURCE MANAGEMENT TO OFFSET THE UNSPECIFIED REDUCTIONS BE ADOPTED. **Motion carried 6-0** by voice vote.

Greg DeWitt explained that the DOR has requested three pieces of language to be approved separately or as part of one motion.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 10}

Mr. DeWitt went over the language requests shown on Page A-153 of the Budget Analysis book.

Matt Bugni, OBPP, clarified that because the division is a proprietary fund the DOR needs to request spending authority in

the subcommittee in regard to the third language (Page A-154 of the Budget Analysis book.)

Motion/Vote: REP. SINRUD moved TO APPROVE ALL THREE DOR REQUESTED LANGUAGES WITH THE LFD VERSION OF THE THIRD . Motion carried 6-0 by voice vote.

Customer Service Center

Present Law Adjustments

Motion/Vote: SEN. LAIBLE moved that DP 602 RESTORE OTO FROM 03B-UNCLAIMED PROPERTY AUDITOR BE ADOPTED. Motion carried 6-0 by voice vote.

Motion/Vote: REP. LINDEEN moved that DP 604 COMPLIANCE STAFF OPERATING COSTS BE ADOPTED INCLUDING LANGUAGE REQUIRING THAT THE LFD ISSUE LANGUAGE TO REPORT TO THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE. Motion carried 6-0 by voice vote.

New Proposals

Motion/Vote: SEN. BARKUS moved that DP 603 REDUCTION OF COMPUTER PROCESSING BE ADOPTED TO OFFSET THE UNSPECIFIED REDUCTIONS. Motion carried 6-0 by voice vote.

Motion/Vote: SEN. BARKUS moved that DP 606 TREASURY OFFSET PROGRAM BE ADOPTED. Motion carried 6-0 by voice vote.

Comments were made that DP 606 would gain additional revenue.

Motion/Vote: SEN. LAIBLE moved that DP 607 ELIMINATE GENTRAM MAINTENANCE CONTACT TO OFFSET UNSPECIFIED REDUCTIONS BE ADOPTED. Motion carried 6-0 by voice vote.

{Tape: 1; Side: B; Approx. Time Counter: 10 - 30}

Customer Service Center - Proprietary Rates

SEN. COONEY spoke on the reduction in compliance staff in DP 608 (Reference Page 4 of Exhibit 2) as being causing potential losses in revenue which Matt Bugni, OBPP, commented on. The committee then discussed what to do with the DP, and Director Alme made comments to justify the level of compliance staff for now. He recommended an increase in staff for evaluation purposes and he stated the intent of the DOR. CHAIRMAN BRUEGGEMAN said his

intention for the committee is to not take reductions in any of the auditors at this time due to it being a net loss. He stated that by accepting the rest of the proposed DP's plus some of the remaining unspecified reduction it would amount to around \$854,628. They can then discuss funding the auditors with General Fund.

SEN. BARKUS asked **CHAIRMAN BRUEGGEMAN** to clarify his statement. **SEN. COONEY** clarified that by following the **CHAIRMAN'S** lead the committee could be funding the DOR above the cut level. **CHAIRMAN BRUEGGEMAN** agreed and said that the DOR would be above the 2002 special session appropriated base. The committee decided to not take action at present on DP 608, and to revisit the issue at the end.

Greg DeWitt, LFD, explained the bad debt collection internal service fund and request.

Motion: **SEN. BARKUS** moved TO APPROVE THE INTERNAL SERVICE RATE OF 10% FOR THE CUSTOMER SERVICE CENTER BE ADOPTED.

Discussion:

SEN. LAIBLE wanted to know the amount of the bad debt on uncollected taxes and at what collection level they stand. **Lynn Chenoweth, DOR Administrator**, said they would get that information for him.

Vote: Motion carried 6-0 by voice vote.

Compliance Valuation and Resolution

Greg DeWitt, LFD, reminded the committee that DP 801-the request for leased vehicles is an agency priority that has been scaled back to meet their budget target. **CHAIRMAN BRUEGGEMAN** stated that the committee can skip over the DP for now. **REP. SINRUD** and **Director Alme** discussed the issue of cost for the vehicles and the delay of replacing them.

Present Law Adjustments

Motion: **SEN. COONEY** moved that DP 803 COMPLIANCE STAFF OPERATING COSTS BE ADOPTED INCLUDING LANGUAGE REQUIRING THAT THE LFD ISSUE LANGUAGE TO REPORT TO THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE.

Discussion:

SEN. LAIBLE had **Director Alme** explain what the audit-related travel within the DP is for. It is large customer need such as for multinational corporation businesses. He stated it is expensive travel but the audits are very lucrative. **REP. LINDEEN** asked **Mr. Alme** if the DOR is required to report to revenue and transportation on the activity of the compliance staff. They are not currently.

{Tape: 2; Side: A; Approx. Time Counter: 1 - 15}

Greg DeWitt, LFD, let the committee know what they would need to do if they wanted the DOR to report.

Vote: Motion carried 6-0 by voice vote.

Motion/Vote: **SEN. LAIBLE** moved that DP 820 REDUCTION OF CAMA OPERATING COSTS (REDUCE GENERAL FUND BY \$164,000 FOR THE BIENNIUM) BE ADOPTED AND USED TO OFFSET THE UNSPECIFIED REDUCTION. Motion carried 6-0 by voice vote.

New Proposals

Motion/Vote: **SEN. COONEY** moved that DP 805 ELIMINATE PARTICIPATION IN EXTERNAL ORGANIZATIONS TO OFFSET THE UNSPECIFIED REDUCTION BE ADOPTED. Motion carried 6-0 by voice vote.

Motion/Vote: **SEN. BARKUS** moved that DP 807 ELIMINATE MOU WITH YELLOWSTONE COUNTY TO OFFSET THE UNSPECIFIED REDUCTION BE ADOPTED. Motion carried 6-0 by voice vote.

Motion/Vote: **REP. SINRUD** moved that DP 808 REDUCTION OF PROPERTY TAX SERVICE TO OFFSET THE UNSPECIFIED REDUCTION BE ADOPTED. Motion carried 6-0 by voice vote.

Motion/Vote: **REP. SINRUD** moved that DP 809 DISCONTINUING POINTS PHASE II TO OFFSET THE UNSPECIFIED REDUCTION BE ADOPTED. Motion carried 6-0 by voice vote.

Motion: **REP. SINRUD** moved DP 8002 INCREASE IN \$498,974 FOR FIELD OFFICE RENT .

Discussion:

Director Alme and **SEN. COONEY** discussed the reasons for the office move in Kalispell and the 22 staff that are there. **SEN.**

BARKUS spoke to the cost of rent in the area, **Mr. DeWitt** and **Director Alme** commented as well.

Vote: Motion carried 6-0 by voice vote.

Note: DP 806, DP 821, and DP 822 were intentionally skipped for today.

SEN. LAIBLE questioned the accounts payable being done in 60 days for the liquor stores, and the possible \$672,000 savings of going to 30 days. **Director Alme** spoke to the 60-day policy as being a governor's decision negotiated at the time of state liquor stores going out to bid. He said that changing the terms has been considered since Governor Racicot's administration, but the governor does not recommend it.

{Tape: 2; Side: A; Approx. Time Counter: 15 - 30}

CHAIRMAN BRUEGGEMAN directed the committee to the personal property field audits, computer replacement, reductions in staff, and leased vehicle cost they still have to discuss, for if they are added back into the budget it will total over the 2003 base by \$968,000. **SEN. COONEY** addressed his concern with the reduction in staff as it may not be the best option. **CHAIRMAN BRUEGGEMAN** spoke in agreement to funding the audit positions. The committee and DOR discussed these issues to clarify intent.

Motion/Vote: **SEN. COONEY** moved **ADDING \$854,625 TO THE GENERAL FUND TO PAY FOR THE 12 FTE FOR AUDIT STAFF BE ADOPTED.** Motion carried 6-0 by voice vote.

SEN. BARKUS questioned **Administrator Randy Wilke** pertaining to field audits staff.

The committee, staff, and **Director Alme** discussed approving DP 801, the safety issues and costs related to not replacing vehicles, and the DOR benefits to doing so.

Matt Bugni, OBPP, and **Greg DeWitt** made clear that approval of DP 801 and DP 8002 do decrease the amount of unspecified reductions but to above the 2003 base starting point.

Motion/Vote: **SEN. COONEY** moved **TO RESTORE DP 801 REQUEST FOR LEASED VEHICLES TO THE GOVERNOR'S ORIGINAL PROPOSAL BE ADOPTED.** Motion carried 5-1 with **REP. SINRUD** voting no.

Motion/Vote: REP. SINRUD moved TO APPROVE DP 806 REDUCTION OF COMPUTER REPLACEMENT WITH AN ADDITIONAL \$40,000 ADDITIONAL REDUCTION OF COMPUTER REPLACEMENTS TO OFFSET THE UNSPECIFIED REDUCTION BE ADOPTED.

{Tape: 2; Side: B; Approx. Time Counter: 1 - 12}

Motion carried 5-1 with SEN. COONEY voting no.

A discussion ensued concerning: the remaining unspecified reductions, preparing the HB 2 narrative to contain what has been done, and proceeding with the DOR budget including the factors that affect with the subcommittee allowing flexibility for Greg DeWitt to adjust the unspecified reduction to balance the amounts as needed.

ADJOURNMENT

Adjournment: 11:45 A.M.

REP. JOHN BRUEGGEMAN, Chairman

MISTY SHEA, Secretary

JB/MS

EXHIBIT (jgh23aad)