Section A

Governor's Office
Commissioner of Political Practices
State Auditor
Department of Transportation
Department of Revenue
Department of Administration
Appellate Defender Commission

Legislative Fiscal Division

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GOVERNOR'S OFFICE

AGENCY SUMMARY Of the total $491,329 in reductions proposed by the executive, 25 percent are from the foregoing of anticipated carry forward funds or the elimination of an appropriation inadvertently maintained in HB 2 when the expenditures were transferred to another agency, and would have no impact on operations. A vacant 1.0 FTE position would not be filled, and travel would be reduced.

With the exception of a delay in establishment of an office in Washington, DC, no reductions were made to either the $850,000 general fund appropriation in HB 2 or the $350,000 statutory appropriation for the Office of Economic Development.

As of May 28, the Governor's Office has additional carry forward funds from fiscal 2000 totaling $7,811 that could be used to mitigate some reductions.

Program Name	Service	Recommended
4 Office of Budget & Program	**Computer Expenses now budgeted in DOA**	10,212

A budget for computer system development would be eliminated during FY2003.

LFD COMMENT These funds are part of the base budget, and remained after all funding for computer system development was moved to the Department of Administration. Therefore, this reduction will have no impact on current operations.

LFD COMMENT Statute allows agencies to retain up to 30 percent of funds left over at the end of the fiscal year, rather than revert those funds to the appropriate fund type. The following eight reductions proposed in this agency are from the foregoing of anticipated carryover funds. Consequently, it has no impact on the operation of the agency compared to the level of operations anticipated by the legislature.

01 Executive Office Program	**General Fund Carryforward**	8,694

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

LFD COMMENT As stated in the comment below, less than $370,000 of the $850,000 appropriation for the Governor's Office of Economic Development has been expended through May 28. Therefore, a significant additional carry forward amount could be available for further reduction from that appropriation.

2 Mansion Maintenance Program	**General Fund Carryforward**	7,424

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

03 Air Transportation Program	**General Fund Carryforward**	12,320

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

4 Office of Budget & Program **General Fund Carryforward** 49,133

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

5 Indian Affairs **General Fund Carryforward** 9,762

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

12 Lt. Governor **General Fund Carryforward** 10,950

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

16 Citizens Advocate Office **General Fund Carryforward** 7,040

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

20 Mental Dis Bd Visitors **General Fund Carryforward** 15,653

Potential 30% carryforward of general fund reversions from FY 2002 in all general fund programs would not be requested to be carried forward.

4 Office of Budget & Program **Personal Services Contingency Fund** 65,000

Personal Services contingency general fund biennial appropriation is $1.3 million. One half of that, for FY 2003, is $650,000. The recommended reduction is $65,000.

LFD COMMENT

Neither HB 2 nor the pay plan bill (HB 13) is fully funded. The legislature provided a contingency fund in HB 13 should an agency not be able to meet its vacancy savings targets. The biennial appropriation of $1.3 million general fund ($3.0 million other funds) was made to the Office of Budget and Program Planning for allocation to agencies that request the funds. This proposed reduction is 10 percent of one-half of the total general fund appropriated. No funds have been expended in fiscal 2002 as of May 28. However, most allocations of the contingency funds would be made near fiscal year end.

4 Office of Budget & Program **Eliminate vacant position** 52,000

One Executive Budget Analyst FTE has remained vacant and will be proposed for elimination in the next budget cycle.

01 Executive Office Program **Postpone establishment of Washington DC** 127,500

Establishment of a Washington D.C. office would be delayed by three months in FY 2003. This proposed reduction reflects an estimated savings in personal services and operating expenses for three months.

LFD COMMENT

The Governor's Office received a $850,000 general fund appropriation in HB 2 and a statutory appropriation of $350,000 in SB 445 each year of the biennium for economic development efforts. As of May 28, $369,367 of the HB 2 and $50,308 of the statutory appropriation had been expended (over $50,000 had been transferred for use to provide security for the Governor in October 2001). The Washington D.C. office, funding for which is included in the statutory appropriation, was originally to be started in fiscal 2002, according to Governor's Office staff. No funds have been expended directly to support the office.

Of the 7.0 FTE added by the 2001 legislature to staff the Office of Economic Development, 6.0 FTE are currently filled, while 1.0 FTE remains unfilled to fund Governor's security duties.

1 Executive Office Program **25% Cutback in Travel Budget** 56,655

Budgeted travel would be cut back in each program by 25% for the fiscal year. The amount represents 25% of the general fund travel budget for the Executive Office, Economic Development Office, and Mental Health Ombudsman.

03	**Air Transportation Program**	**25% Cutback in Travel Budget**	5,679

Budgeted travel would be cut back in each program by 25% for the fiscal year, with $5,679 to be eliminated in Air Transportation.

4	**Office of Budget & Program**	**25% Cutback in Travel Budget**	1,375

Budgeted travel cut back by 25% would be $1,375 in OBPP.

5	**Indian Affairs**	**25% Cutback in Travel Budget**	1,829

Budgeted travel cut back by 25% would be $1,829 in Indian affairs.

12	**Lt. Governor**	**25% Cutback in Travel Budget**	4,634

Budgeted travel would be cut back by $4,634.

20	**Mental Dis Bd Visitors**	**25% Cutback in Travel Budget**	5,088

Budgeted travel cut back by 25% would be $5,088. This cutback would reduce the number of site visits the Mental Disabilities Board of Visitors would be able to conduct during the fiscal year by approximately three.

1	**Executive Office Program**	**Reduce Consensus Council OTO GF Approp by 50%**	37,500

There is a one-time-only general fund appropriation of $75,000 in FY 2003 for matching grants, which would be reduced by $37,500.

LFD COMMENT

The legislature added $75,000 general fund each fiscal year in free conference committee. The Consensus Council had expended over $51,000 of the fiscal 2002 appropriation as of May 28.

4	**Office of Budget & Program**	**Exempt Employee Pay Freeze**	2,881

Personal staff and other exempt employees would receive no cost-of-living pay increases under this proposal. Salaries are set by the appointing official and are not subject to pay plan rules. An estimated $2881 in general fund appropriation would be eliminated to freeze exempt employee salaries in the Office of Budget and Program Planning.

LFD COMMENT

This reduction would freeze the salary of the budget director. No other exempt staff in either the Governor's executive office or the Office of the Lieutenant Governor would be impacted.

Summary for Agency # 3101, Governor's Office, (20 detail records)

491,329

Fiscal 2003 Base Appropriation	**$5,307,930**
Percent Reduction From Base	**9.0%**

LFD COMMENT

If the foregoing of carry forward funds is excluded from the total, the actual reduction to the base is 6.7 percent.

COMMISSIONER OF POLITICAL PRACTICES

AGENCY SUMMARY

Reductions to this agency require it to streamline operations and would potentially increase costs to campaigns and candidates, and/or delay provision of certain required materials. Internal operations could be impacted through higher workload.

Program Name	Service	Recommended
1 Administration	**Travel**	1,200

The Commissioner will be unable to attend the annual conference on governmental ethics. Travel to make presentations at election administrator and candidate training schools will be limited. The Council on Governmental Ethics Laws (COGEL) provides a website and publications that may be accessed by the Commissioner and legal counsel. In addition, COGEL provides interactive communications' links that enable consultation with staff of other ethics agencies in other states. With remaining travel funds, either the Commissioner or the agency Administrative Officer (rather than both) would attend election administrator and candidate training schools.

1 Administration — **Advertising** — 500

There are no anticipated consequences from a $500 reduction because it is expected that the agency will have limited advertising costs. Major advertising expenses have been related to vacancy postings. The agency does not anticipate any staff changes.

1 Administration — **Electricity** — 350

The staff are not anticipating any agency requested electrical changes. The $350 is available for reduction.

1 Administration — **Education/Training Costs** — 300

Impose limits on staff training, limiting training to specific job-related tasks. Agency will conduct more staff meetings, facilitate more employee-to-employee training, and more in-house development as a result of a $300 cut.

1 Administration — **Consulting and Professional Services** — 2,000

The agency will rely less on temporary services and utilize short-term worker hires for additional staffing needs to provide necessary services for candidates, lobbyists, and legislators during peak work periods. There will be increased reliance on current staff to provide additional service.

1 Administration — **Printing/Publications and Graphics** — 2,500

If the numbers of candidates, lobbyists, and committees that are required to file with this office are higher than anticipated, the availability of printed materials may be limited. Materials provided to candidates, committees, and treasurers would have to be shared instead of the agency providing multiple packets of materials to campaigns and committees. An initial supply of forms would be provided, after which campaigns and committees would be requested to make additional copies as needed at their expense, although the majority of the commissioner's printing was done in FY 2002.

1 Administration — **IT Consulting and Professional Services** — 10,000

The proposed reduction in professional services would effect the ability to enhance or update the agency database used to capture all data relating to campaigns for statewide and state district offices and statewide ballot issues. Data captured is used to create the summary of contributions and expenditures required by 13-37-119, MCA. The requirements of 13-37-119, MCA, would have to be met through other IT avenues, reverting to word processing programs requiring significant additional staff time. The required reports would not be produced on a timely basis; for example, the required bi-annual report could take an additional several months to prepare and distribute and information contained therein would be dated and of little use.

LFD COMMENT According to the agency, the database used to compile and report required election information has an extremely slow response time. This information is used by campaigns and others as both a permanent public record and a research and management tool. The consultant is currently working with the Department of Administration to address some of these difficulties.

Summary for Agency # 3202, Commissioner of Political Practices, (7 detail records)

	16,850
Fiscal 2003 Base Appropriation	**$361,850**
Percent Reduction From Base	**4.7%**

STATE AUDITOR

AGENCY SUMMARY

The Securities Division is the only function of this agency funded with general fund. Consequently, all reductions are taken from that division. As an agency headed by an elected official, the State Auditor's maximum reduction is the 3.5 percent average applied to other executive agencies. The proposed reductions would utilize vacancy savings and would require both a reallocation of resources and increased efficiency.

While the Securities Division is partially funded with state special revenue from securities portfolio fees, these funds cannot mitigate the impact on the general fund. Any fees collected that are not used to support operations of that division are deposited to the general fund. So, mitigating the general fund in that division would reduce general fund revenues by a corresponding amount.

Program Name	Service	Recommended
4 Securities	**Reduce personal services**	8,075

Reduce a 1.00 FTE filled position anywhere from 0.75 FTE to a 0.25 FTE. A 3% reduction would require the SAO to reduce this position to a 0.75 FTE. The savings would be related to salary and benefits. This savings would be $8,075. The Securities Program of the State Auditor's Office, program 04, is the only program with general fund. This is a program with 12.00 FTE that deposits approximately $7 to $8 million to the state general fund each year. This reduction could impact the program's timeliness with respect to regulatory functions, industry's needs, and consumer protection. The duties would be absorbed by existing staff as time allows.

LFD COMMENT

This word processing position is currently filled. According to the agency, the incumbent would probably be given other duties that could be paid for with other revenues within the agency. However, some reduction in hours may occur. The agency also states that this reduction will be mitigated to any extent possible through reductions in other operations, including additional vacancy savings in the following proposed reduction if there are recruitment difficulties.

Program Name	Service	Recommended
4 Securities	**Vacancy savings from other positions**	2,000

Realize vacancy savings from a position of an employee who will be moving in late summer. SAO will hold this position open long enough to realize $2,000 in vacancy savings. The savings of $2,000 would be related to salary and benefits. The reduction in the Securities Program of the State Auditor's Office could impact the program's timeliness with respect to regulatory functions, industry's needs, and consumer protection. The duties would be absorbed by existing staff as time allows.

Program Name	Service	Recommended
4 Securities	**Reduce operations costs**	1,717

The SAO will reduce operating costs for the balance of the general fund reduction in the Securities Program. The reduction in the Securities Program of the State Auditor's Office, program 04, could impact the program's timeliness with respect to regulatory functions, industry's needs, and consumer protection.

LFD COMMENT

Total operation expenses in this division in fiscal 2003 are $117,111, of which about 64 percent is funded with general fund and the remainder with state special revenue. This reduction consequently totals about 2.4 percent of total general funded operating expenses and 1.5 percent of total operating expenses.

Summary for Agency # 3401, State Auditor's Office, (3 detail records)

	11,792
Fiscal 2003 Base Appropriation	**$338,768**
Percent Reduction From Base	**3.5%**

DEPARTMENT OF TRANSPORTATION

AGENCY SUMMARY Although not included in the executive general fund reduction plan, a reduction of the general fund transfer to the highways state special revenue fund for the Department of Transportation is included in the beginning general fund balance estimates. This one initiative for the department would necessitate legislative action to implement because it involves a reduction of a statutorily directed general fund transfer to a state special revenue fund.

Program Name	Service	Recommended
99 Entire Department	**HB 124 Transfer**	

HB 124 from the 2001 session transferred $2.9 million to the Department of Transportation in the state highway special revenue fund (02422). This reduction would limit the working capital available for this state Special revenue fund.

LFD COMMENT The executive proposes to require reversion to the general fund of nearly $5.8 million rather that the $2.9 million stated in the narrative.

LFD ISSUE HB 124 requires a transfer of roughly $2.9 million general fund each year to replace revenues now deposited to the general fund. The executive proposes to require the Department of Transportation to not spend this money and revert it back to the general fund. Implementation of this initiative would require legislative involvement to complete because state law does not specifically allow the executive to transfer portions of this state special revenue fund to the general fund. Since the statutory appropriation added with passage of HB 124 specified specific transfer amounts of $2,873,853 in fiscal 2002 and $2,916,961 in fiscal 2003 from the general fund to the non-restricted account (02349) of the highways state special revenue account, transferring the money back to the general fund is tantamount to not transferring the money in the first place, which negates the statutory directive. The transfer back would also be between a state special revenue account and the general fund, which is not within the same fund type and would therefore violate 17-7-139, MCA, concerning fund transfers.

If this transfer took place as recommended, the main impact would be a reduced working capital balance in the highways state special revenue account. Based on unconfirmed projections made by the department, the account is projected to end fiscal 2003 with a balance of $43.8 million or nearly 20 percent of annual expenditures from the account. With the transfer eliminated for both years of the 2003 biennium, the projected fiscal 2003 ending fund balance would be reduced to roughly $38 million or 17 percent of annual expenditures. The transfer amount corresponds to roughly 1.3 percent of total estimated revenues into the account each year. Although the transfer would reduce the working capital balance of the highways state special revenue account, it would not have an adverse impact on department operations in the short-term. Over the long-term, a loss of the general fund transfer would impact the highways state special revenue fund stability and erode the balance to a point where projects could be impacted.

Summary for Agency # 5401, Department of Transportation, (1 detail record)

Fiscal 2003 Base Appropriation	**$0**
Percent Reduction From Base	**N/A**

DEPARTMENT OF REVENUE

AGENCY SUMMARY

The general fund reduction plan for the Department of Revenue includes one initiative of $400,000 that would necessitate legislative action to implement because it involves a fund transfer from a proprietary fund statutorily mandated to retain any excess balance for use in reducing future charges.

The department has also proposed increasing vacancy savings by not filling two vacant positions associated with a regional tax supervisor and a tax appeals hearing officer. Leaving these two positions vacant during fiscal 2003 would temporarily save nearly $120,000. A $30,000 reversion of portion of a line item appropriation that would have provided salary upgrades for auditors and a $90,000 funding switch from general fund to state special revenue would further reduce general fund expenditures. Temporary reductions totaling nearly $495,000 that would not have direct impacts on external customers coupled with nearly $54,000 reductions that would directly reduce services to external customers and businesses would provide the remaining general fund reductions for the department.

Program Name	Service	Recommended
06 Customer Service And Info Proc	**Residual Equity Transfer**	

During the 2001 Legislative Session, the department received a General Fund supplemental appropriation of $2.7 million (HB 3) to cover the short-fall in the Customer Service Center. The supplemental was to repay a General Fund loan of $1.2 million obtained to cover FY 2000 costs and $1.5 million to cover costs in FY 2001. The department was required by OBPP to mitigate the supplemental request by foregoing a number of decision packages and removing approximately $358,000 of base year FY 2000 costs (i.e. reduction of authority in FY 2002 and FY 2003). The department monitored FY 2001 costs very closely and was able to reduce costs by approximately $400,000, leaving a fund balance at close of FY 2001. It is this fund balance that will be transferred to the general fund.

LFD COMMENT

This residual equity transfer of $400,000 from a proprietary fund to the general fund is included in the executive general fund balance determination instead of being shown as an expenditure reduction. Implementation of this initiative would require legislative action to complete because state law does not specifically allow the executive to transfer the balance of this proprietary fund to the general fund. In fact, state law specifically states that any excess balance in this fund must be carried forward into the next fiscal year and used to reduce the designated percentage of the collected proceeds charged to the various agencies.

The legislature may wish to consider recent changes and events that have contributed to this excess fund balance. During the 2001 biennium, the Customer Service Center provided customer intake, document processing, and accounts receivable and collections functions for the department and other subscribing agencies in exchange for fees deposited into the proprietary fund. Also during the 2001 biennium, the fees being charged were not adequate to fund the operation of the center. Fees could not be raised above the levels listed in HB 2 that were requested by the department and approved by the 1999 legislature. Because fees were not adequate to fund the operation of the center, general fund loans were obtained to fund ongoing center operations in fiscal years 2000 and 2001.

During the 2001 legislature, the department requested to remove all portions of the Customer Service Center except the delinquent account collections function from proprietary funding to funding by appropriations in HB 2. The department also requested a general fund supplemental appropriation of $2.7 million to fund retiring the debt for the general fund loans received during the 2001 biennium. The legislature approved both the funding shift and the supplemental appropriation associated with the center. Subsequently, the department used the entire $2.7 million general fund supplemental appropriation to retire the general fund loans incurred during the 2001

LFD COMMENT (continued)

biennium. Had the department used $400,000 less of the supplemental appropriation and funded the remainder with proprietary funds, the general fund balance would have been $400,000 higher and the excess fund balance would not exist.

However, with the excess fund balance and the law that specifically states that this excess must remain in the fund and be used to reduce future fees, implementation of this initiative would require legislative involvement to complete. If the committee supports this executive recommendation, it could request a committee bill to transfer this $400,000 balance to the general fund. The committee may also wish to consider legislation to address this type of occurrence in the future.

08 Compliance Valuation And Resol | **Unused Portion of Auditor Salary Appropriation** | 30,000

During the 2001 Legislative session, the department was provided a general fund line item appropriation in HB 2 of $208,144 in order to recruit and retain auditors. This was a continuing appropriation for the 2003 biennium. The department's most recent projections indicate approximately $30,000 of the appropriation will not be spent during the biennium. As long as there is no significant turnover or unforeseen retention issues regarding auditor positions, there is little impact to the department. However, if there were significant changes it could impair the department's ability to staff auditor positions.

6,8 CSC, CVR | **Funding Switch - SSRF vs GF** | 90,000

Under HB 124 the department is allowed to keep 2% of fees collected for hail insurance and per capita livestock to cover administrative costs incurred by the department in processing these fees. The department does not have sufficient state special revenue appropriation authority in FY 2002 and FY 2003 to spend the 2% collected. Additionally, pursuant to 15-1-521, MCA, there is a property valuation improvement (PVIF) account in the state special revenue fund which is used by the department to increase the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. The department is expecting to have cash in excess of appropriation authority in this fund in FY 2003. Increasing the department's state special revenue fund operating expense authority in FY 2003 by $40,000 for the 2% administrative costs related to hail insurance and per capita livestock and $50,000 for PVIF will result in a decrease in general fund operating expense authority by $90,000.

LFD ISSUE

This initiative appears to be viable from a fund balance perspective in the PVIF fund, but only if no further expenditures are made against a $100,000 appropriation for the 2003 biennium funded by this fund in HB 2. The appropriation impacted by this initiative was approved to fund expenditures for software license agreements, copier maintenance, and the acquisition of supplies and materials, customer service terminals, and printers and plotters using the fund. Based on historical revenue trends and the available fund balance, the funding switch proposed in this initiative would nearly deplete the fund balance without the expenditures authorized by the legislature.

Additionally, the law that authorizes this fund specifies that it is to be used by the department for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. The use of these funds directly for administrative costs appears to conflict with the fund's intended purpose.

5,8 RM, CVR | **Temporary Reduction of Rent Costs** | 36,559

The department currently rents the ASF building for its training and education program. The department plans to move this program to the Liquor warehouse. Additionally, the department rents an office in Butte Silver Bow to provide space for a CVR process lead. The individual will have one office in Helena.

All Entire Department | **Reduce Number of Copiers in Mitchell Building** | 9,800

The department will reduce the number of copiers on the 3rd and 4th floors of the Mitchell Building. This will probably cause a minor inconvenience to department employees, since the number of copiers will be reduced. Since the number of copies per machine per month will most likely greatly increase, the department also plans on requesting some higher grade copiers, to avoid maintenance costs.

6 Customer Service And Info Proc **Mailing Package X** 15,000

Each year as a service to the customers of the department, the department mails tax preparation packages to tax preparers in the state of Montana. Approximately 3,000 packages are mailed that include copies of all tax forms for the year. The department would not provide this service to its customers in FY 2003. This would equate to a general fund savings of operating expenses related to printing ($5,000) and postage & mailing ($10,000). The forms and instructions are all contained on the department's web site, which tax preparers could download.

8 Compliance Valuation And Resol **Yellowstone County MOU** 14,000

The department has a memo of understanding with Yellowstone County related to Geographic Information System (GIS). In the past the department contributed services and funding to a tri-party cooperative agreement. This proposal is to discontinue the financial contribution of $14,000, but will propose to contribute "in kind" services of employees rather than cash.

8 Compliance Valuation And Resol **Temporarily Reduce External ABC Clinics** 3,485

The department provides regional business clinics in the spring and fall of each year. The department would discontinue this face to face meeting approach and rely on direct mailings, responding to phone calls, and Internet sites to convey new law changes. Customer education is likely to be less responsive than the more personalized approach enabled when we send trainers into the field. The last calendar year we personally contacted approximately 900 representatives of Montana's business community to answer their questions and relay current information on changing requirements. To help with this transition, the department will improve its use of technology and availability of the same.

All Entire Department **Temporary Reduction in Supplies Purchased** 21,879

The department proposes temporarily reduce the FY 2003 budget for supplies by $72,930, which reflects a 10% reduction in this category. This could cause some potential inconveniences and disruptions.

1,8 DO, CVR **Participation in External Organizations** 114,973

The department currently participates in external organizations (e.g. Federation of Tax Administrators (FTA) and Multistate Tax Commission (MTC)). Participation in these organizations allows the state to remain current with best practices and other innovative ideas. Additionally, the MTC membership generates revenue to the state from its audit program. The MTC audit program has generated over the last five fiscal years an average of $338,000 per year. The MTC charter does not allow for states to participate in the audit program without being a member of the MTC. This is a FY 2003 one time only opportunity because DOR hopes to prepay membership dues for FY 2003 with FY 2002 funds. This one time only savings will save general fund and avoid opportunity costs. However, if the temporary reduction becomes permanent the state will forego the revenue generated by the MTC audit program.

6 Customer Service And Info Proc **Mail MTQs Annually** 35,000

The department mails MTQ (Montana Quarterly) forms each quarter for the convenience of Montana employers. The department plans to complete this mailing once a year and send a year's supply of forms in one single mailing. This could cause an inconvenience to Montana employers and increased risk of late or lost forms until employers transition to the new mailing cycle. An educational campaign will help with the transition.

All Entire Department **Temporary Reduction in Training Expenses** 60,000

The department proposes temporarily decreasing training related costs as part of the reduction plan. A reduction of $60,000 eliminates all training other than training for the department's attorneys (CLE - Continuing Legal Education), since required as part of their duties at the department. The department will, if necessary, explore alternative delivery methods such as intra-net/inter-net.

All Entire Department **Temporary Reduction in Travel Expenses** 16,792

The department proposes temporarily reducing travel for the budget reduction plan. A reduction of $16,792 is related to non-audit related travel, such as training, conferences, and organization/department meetings. The department already incurred a reduction in travel of $15,066 for FY 2003 as part of the statewide amendment to HB 2 during the 2001 Legislative session. Further reductions, especially those that negatively effect audit-related travel, will compromise the agency mission.

All Entire Department | **Reduction of Overtime** | 179,720

The department has incurred significant overtime costs during the past few fiscal years, due to implementation of POINTS and the legislative session. Since the department is not budgeted for overtime, it has absorbed the costs through additional vacancy savings. The department plans to tighten the use of overtime even further in FY 2003. To the extent overtime is not an option it is reasonable to expect diminished customer service, that will be less timely and less responsive. This will not impact the implementation of POINTS II.

LFD COMMENT This reduction would be equivalent to roughly 5.0 FTE at the average HB 2 position funding level. HB 2 includes funding for just over 656 FTE in fiscal 2003.

8 Compliance Valuation And Resol | **Temporary Reduction of a CVR Position** | 60,207

The department proposes a temporary reduction of a Regional Lead position. The reduction includes estimated salary, benefits, health insurance, and related operating expenses. The department has divided its field based property tax activities into six geographic regions for administrative purposes. Each region currently has a Regional Lead position assigned to it. The position proposed for reduction has been vacant for 6 weeks due to the retirement of the incumbent and for purposes of covering expenses associated with sick and annual leave payout. The department was able to fill the vacancy using an existing position. Temporary reduction of the position will reduce the department's flexibility to create a new region should it decide, that for supervisory reasons, another one is required. At this point in time, the department does not contemplate the creation of any new regions. If the department believes, at some point in time, that another region is required and thus another Regional Lead position, it will have to reclassify an existing vacant position. Currently, the department believes it is adequately staffed in the area of Regional Leads.

6 Customer Service And Info Proc | **Temporary Eliminating Maintenance Contracts for GenTran & Cardiff** | 40,840

The department has maintenance contract agreements for GenTran and Cardiff. The department would temporarily eliminate these maintenance contracts to save near term costs. General fund operating expenses of $40,840 case an increased risk to department operations in the event maintenance would have avoided system failures. If failures do occur the department will then have unscheduled unbudgeted maintenance activities.

LFD COMMENT Based on conversations with the department, the contracts for maintenance allow for this type of work curtailment without penalty.

1 Directors Office | **Temporary Reduction of a DO Position** | 59,433

The department proposes temporary reduction of a Hearings Officer (1.00 FTE) in the Director's Office, total costs estimated at $59,433. The consequences of this temporary 50% reduction in staff dedicated to this activity will have a significant impact on the timeliness of processing taxpayer appeals and disputes. Customer satisfaction will no doubt be diminished and to the extent the taxpayer is not successful with their appeal, additional interest charges will accrue. The cases that come before this office include the full range of disputes from individual income tax matters to disputes related to liquor licensing, so the impact will be widely felt. Finally, the current statute requires that cases appealed to this office must be resolved within 180 days unless a mutual extension of that timeline can be agreed to. If this reduction comes to pass, the department may seek amendment to that statute to accommodate what might soon build to be an ongoing backlog of cases. Existing law permits tax appeals to be moved up to the next step of the process, i.e. the State Tax Appeal Board, if the dispute has not been resolved before the department in 180 days. However, even if this occurs due to agency workload, and affected taxpayers have not been denied their due process right, it could be anticipated that a number of taxpayers would still be irritated and frustrated that their appeals had not been addressed in a timely manner. The impact can be mitigated by making increased attempts to settle cases before they get to appeal. By definition, that may in the end compromise uniform enforcement of tax law and licensing requirements.

LFD ISSUE The department is required by law to provide a uniform dispute review process for tax related disputes and is required to make a final decision on disputes within 180 days of when the dispute was referred to the dispute resolution office. This function is typically performed by 2.0 FTE of which 1.0 FTE position is currently vacant and would temporarily remain vacant under this initiative. The filled position currently providing this function at half the office capacity has been meeting the 180-day deadline, but backlogs are building. However, with anticipated case increases due to reappraisals and corporate tax assessments there is a risk that this statutory deadline could be exceeded. State law allows this deadline to be extended with mutual agreement of all involved parties; however, agreement isn't certain and the potential exists that disputes could move to litigation as a result of this reduction.

Summary for Agency # 5801, Department of Revenue, (17 detail records)

787,688

Fiscal 2003 Base Appropriation	**$29,185,604**
Percent Reduction From Base	**2.7%**

DEPARTMENT OF ADMINISTRATION

AGENCY SUMMARY

There is no common theme for the three general fund reductions for the Department of Administration. Roughly 62 percent of the reductions are attributed to a funding switch from general fund to a state special revenue fund with a balance adequate to fund program operations at the level approved by the legislature. A reversion of funding for debt service payments associated with the Capitol Construction Bonding Program accounts for roughly 32 percent, as federal funding would be used to fund the entire project. The remaining 6 percent of the reductions are for general fund support of capitol complex maintenance, with the proprietary funded program that provides the maintenance absorbing the reduction.

Program Name	Service	Recommended
04 Arch & Engineering Pgm	**Kalispell Armory Bonding**	136,412

The Department of Administration currently has $1.8 million of bonding authority for the construction of a new Department of Military Affairs armory in Kalispell. The 57th Legislature restricted $1.7 million of the bond proceeds for the installation of a new water and sewer system to serve the Kalispell armory. The remaining $100,000 can be used for the construction of space for a veterans' administration office. The water and sewer system is being paid for by the federal government. No state funds will be used for installation of the system; consequently, this authority can be reverted. If the authority is reverted and the bonds not issued, a debt service reduction of approximately $136,412 per year (based on 5% interest rate, which was provided by Piper Jaffray) would exist. The overall savings to the State would equate to approximately $2,728,240 (principal and interest for 20 years).

3 Accounting & Mgmt Support Prog	**Funding Switch for Consumer Protection**	266,117

The Office of Consumer Protection has a large fund balance in one of its SSR funds that was not budgeted by the 57th Legislature. This proposal would budget amend state special authority and reduce the general fund appropriation by a like amount.

LFD COMMENT

The 2001 legislature authorized two funding shifts from state special revenue to general fund that totaled $112,708 for the biennium. The funding shifts were made because of the inability to collect full civil fines levied against telemarketers and the loss of the Lemon Law Program's state special revenue funding source. If these non-general fund sources don't provide revenues as they have in the past, and the funding shift in this proposal would deplete the state special revenue fund balance by the end of fiscal 2003.

8 General Services Program	**Defer Complex Maintenance Funded by GF**	27,135

This proposal would reduce the general fund contribution to the maintenance of the 3rd and 4th floor of the Capitol, Historical Society, Executive Residence and the original Governor's Mansion by $27,135. Maintenance will be deferred until the 2005 Biennium.

LFD ISSUE

Where a specific tenant cannot be directly assigned, general fund indirectly supports maintenance of common areas of the facilities mentioned in the reduction description. However, this is not truly a reduction of spending as the funding is provided as revenue to a proprietary funded program and used along with other rental fees paid by tenant organizations, based on a ratio of area directly occupied by the organization. The revenues are used for general building maintenance. No specific maintenance reductions are directly linked with this initiative. The main impact of this initiative is on the fund balance of the proprietary fund and subsequent future year rate calculations. With a lower fund balance available, the potential exists for higher rental rates to be assessed to tenant organizations. This would impact the general fund and other funds in future biennia. Based on current budgeting laws; rates above those in HB 2 would require legislative approval.

Summary for Agency # 6101, Department of Administration, (3 detail records)

429,664

Fiscal 2003 Base Appropriation	**$4,504,751**
Percent Reduction From Base	**9.5%**

LFD COMMENT The fiscal 2003 base appropriation identified above does not include an appropriation for the debt service payments included in the Architectural and Engineering Program reduction included above. If this reduction were excluded from the calculation used to determine the percentage of base general fund appropriations for the Department of Administration the agency impact would be reduced to 6.5 percent.

APPELLATE DEFENDER

AGENCY SUMMARY	The general fund reduction for the Appellate Defender's Office is not specific to any functions or expenditures, but is a general across-the-board reduction the specifics of which would be at the discretion of the office.

Program Name	Service	Recommended
01 Appellate Defender	**Operating Costs**	6,576
Reduction in operating expenses relates to $6576 cutback.		

Summary for Agency # 6102, Appellate Defender, (1 detail record)

6,576

Fiscal 2003 Base Appropriation	**$187,882**
Percent Reduction From Base	**3.5%**