Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	83.48	83.48	84.75	84.75	83.48	84.75	1.27	1.52 %
Personal Services	6,552,504	6,784,010	7,375,561	7,451,359	13,336,514	14,826,920	1,490,406	11.18 %
Operating Expenses	7,119,951	6,860,705	7,005,334	6,810,497	13,980,656	13,815,831	(164,825)	(1.18)%
Equipment & Intangible Assets	277,639	25,050	277,639	277,639	302,689	555,278	252,589	83.45 %
Total Costs	**$13,950,094**	**$13,669,765**	**$14,658,534**	**$14,539,495**	**$27,619,859**	**$29,198,029**	**$1,578,170**	**5.71 %**
General Fund	13,451,734	13,185,675	14,165,491	14,046,452	26,637,409	28,211,943	1,574,534	5.91 %
State/Other Special Rev. Funds	112,614	114,097	110,982	110,982	226,711	221,964	(4,747)	(2.09)%
Federal Spec. Rev. Funds	1,000	0	1,000	1,000	1,000	2,000	1,000	100.00 %
Proprietary Funds	384,746	369,993	381,061	381,061	754,739	762,122	7,383	0.98 %
Total Funds	**$13,950,094**	**$13,669,765**	**$14,658,534**	**$14,539,495**	**$27,619,859**	**$29,198,029**	**$1,578,170**	**5.71 %**

Program Description

The Director's Office is responsible for overall management of the department to support and ensure success of the revenue collections and property valuation responsibilities of the operating divisions. To achieve this, the Director’s Office is composed of five primary sections that provide services across the department to the four primary operating divisions.

The Executive Office is responsible for the general guidance and management of the agency on a department wide basis. The Executive Office assists the director with administrative functions and communication to the public, other agencies and elected officials and includes the Office of Taxpayer Assistance. In addition, Fiscal Administration, Public Information, Human Resources, and Enterprise Planning & Analysis functions reside here.

The Legal Services Office is responsible for the overall legal efforts of the department including legal representation before various courts, legislation development and review, filing bankruptcy claims, and developing policy and administrative rules. The legal office also oversees the Office of Dispute Resolution that reviews, facilitates, and resolves taxpayer disputes internally through a variety of means including hearings and mediation.

The Security Office provides security and disclosure guidance to the department staff and citizens served by the department. The Security Office is responsible for ensuring compliance with confidentiality requirements including Internal Revenue Service (IRS) security requirements and federal/state information exchanges and ensuring the department appropriately safeguards the integrity of confidential taxpayer information in all forms.

Tax Policy and Research provides accurate and timely information for the Governor, the Legislature, and Montana citizens including the compilation of basic tax data and the publication of the statutory Biennial Report.

The Information Technology Office is responsible to provide effective and efficient IT hardware and software to all department staff so that they can complete the work of tax administration. IT systems are the critical background in the administration of all tax types in Montana.

Program Highlights

Director's Office Major Budget Highlights
• Personal services would increase due to statewide present law adjustments • Equipment and intangible assets would increase due to a transfer of authority from operating expenses to the equipment budget. In FY 2014 the department transferred authority to purchase servers which would increase server storage based on the increased capacity of the department. The department anticipates that the server capacity will continue to increase in the next biennium. The increase in the equipment budget over the next biennium will be almost entirely offset by the decrease in operating expenses • A significant difference between the legislatively appropriated FY 2015 base and the executive's FY 2017 biennium request is due to a reorganization of the Information Management and Technology Division. This reorganziation transferred personal services and operating expenses authority to the Director's Office and the Citizen Services and Resource Management Division.

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Revenue Director's Office FY 2015 Appropriation Transactions			
Category	Legislative Appropriation	Difference Between Exec. and Leg.	Total Executive Implementation
Personal Services	$4,155,305	$2,628,705	$6,784,010
Operating Expenses	1,667,705	5,193,000	6,860,705
Equipment & Intangible Assets	0	$25,050	25,050
Total Costs	$5,823,010	$7,846,755	$13,669,765

The primary difference between the FY 2015 Legislative Appropriation and the Total Executive Implementation is due to the reorganization of the former Information Management and Technology Division. Personal services authority, operating expenses authority, and equipment and intangible assets authority were transferred from this program to the Director's Office and Citizen Services and Resource Management. This reorganization accounted for $7,776,755 of the total difference. The remaining $70,000 is due a restricted one-time-only appropriation for fiscal note overtime.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of $13,950,094 are $8,127,084 above the FY 2015 Legislative appropriation of $5,823,010. This large difference is primarily attributable to the aforementioned reorganization.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Revenue, 01-Directors Office Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	28,211,943	0	265,676,565	293,888,508	99.67 %
02088 SSR ADMINISTRATIVE FUNDS	0	0	0	0	0.00 %
02790 6901-Statewide Tobacco Sttlmnt	221,964	0	0	221,964	100.00 %
State Special Total	**$221,964**	**$0**	**$0**	**$221,964**	**0.08 %**
03928 Royalty Audit - NRCT	2,000	0	0	2,000	100.00 %
Federal Special Total	**$2,000**	**$0**	**$0**	**$2,000**	**0.00 %**
06005 Liquor Division	762,122	0	0	762,122	100.00 %
Proprietary Total	**$762,122**	**$0**	**$0**	**$762,122**	**0.26 %**
Total All Funds	**$29,198,029**	**$0**	**$265,676,565**	**$294,874,594**	

Funding for the HB 2 budget comes primarily from the general fund. State special revenue from tobacco settlement funds supports the dedicated attorney that supports tobacco tax compliance activities. Federal mineral royalty audit special revenue funds a portion of the Legislative Audit fixed cost allocation for the agency. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Control Division share of Director's Office support costs. The allocation is calculated as a percentage of the program’s budget. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

Total funding for the Directors Office also includes two general fund statutory appropriations. The largest of the statutory appropriations is a pass-through general fund appropriation for the state entitlement shares, as provided in 15-1-121, MCA. This distribution resulted from HB 124 in the 2001 Legislative Session, which reallocated revenue received by local governments, school districts, and some state special revenue accounts to the general fund and replaced foregone revenue with permanent state entitlement grants to counties and cities. A second general fund statutory appropriation included in the Directors Office is a direct use by the department for out of state travel costs for the purpose of tax audits and is provided for in 15-1-218, MCA.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	4,006,860	4,006,860	8,013,720	28.41 %	5,823,010	5,823,010	11,646,020	39.89 %
PL Adjustments	10,158,631	10,039,592	20,198,223	71.59 %	8,835,524	8,716,485	17,552,009	60.11 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	**$14,165,491**	**$14,046,452**	**$28,211,943**		**$14,658,534**	**$14,539,495**	**$29,198,029**	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	3,281,446	(67,543)	526	3,214,429	0.00	3,353,180	(63,058)	492	3,290,614
DP 99 - LEG. Present Law	0.00	6,877,185	(60,755)	474	6,816,904	0.00	6,686,412	(65,240)	508	6,621,680
Grand Total All Present Law Adjustments	**0.00**	**$10,158,631**	**($128,298)**	**$1,000**	**$10,031,333**	**0.00**	**$10,039,592**	**($128,298)**	$1,000	$9,912,294

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments						
	FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary	Total Funds
State Share Health Insurance	80.75	39,245	-	-	-	$39,245
Executive Implementation of 2015 Pay Increase		124,557	-	-	-	124,557
Fully Fund 2015 Legislatively Authorized FTE		127,270	3,014	-	807	131,091
Other	4.00	2,990,374	(70,557)	526	5,020	2,931,190
Personal Services Present Law Adjustments	84.75	$3,281,446	($67,543)	$526	$5,827	$3,220,256
	FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Proprietary	Total Funds
State Share Health Insurance	80.75	39,245	-	-	-	$39,245
Executive Implementation of 2015 Pay Increase		124,557	-	-	-	124,557
Fully Fund 2015 Legislatively Authorized FTE		127,270	3,014	-	807	131,091
Other	4.00	3,062,108	(66,072)	492	4,633	3,006,601
Personal Services Present Law Adjustments	84.75	$3,353,180	($63,058)	$492	$5,440	$3,296,054

The executive proposes to increase support to personal services by 77.5% in FY 2016 and 79.3% in FY 2017 in comparison to the FY 2015 legislative budget. In addition to the three main line items, this is primarily due to the reorganization mentioned above. Funds for fiscal note overtime during the 2017 Legislative session and the addition of a Paralegal to the bankruptcy unit explain the majority of the remaining other category. Differences between the total funds in the CP 98 table compared to the present law adjustments table are due to the inclusion of the proprietary adjustments above.

DP 99 - LEG. Present Law -

The LGPL adjustments above are almost entirely due to the transfer of operating expenses during the reorganization and increases in fixed costs.