

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	670.28	670.28	648.55	648.55	670.28	648.55	(21.73)
Personal Services	38,139,750	40,872,977	41,389,892	41,498,316	79,012,727	82,888,208	3,875,481
Operating Expenses	15,724,956	15,928,539	15,724,206	15,540,358	31,653,495	31,264,564	(388,931)
Equipment & Intangible Assets	467,853	55,604	30,554	30,554	523,457	61,108	(462,349)
Transfers	0	0	0	0	0	0	0
Debt Service	42,562	35,552	31,925	31,925	78,114	63,850	(14,264)
Total Costs	\$54,375,121	\$56,892,672	\$57,176,577	\$57,101,153	\$111,267,793	\$114,277,730	\$3,009,937
General Fund	50,016,486	52,581,114	52,701,177	52,634,852	102,597,600	105,336,029	2,738,429
State/Other Special Rev. Funds	1,120,067	1,078,894	1,016,392	1,017,549	2,198,961	2,033,941	(165,020)
Federal Spec. Rev. Funds	250,054	268,095	273,262	272,262	518,149	545,524	27,375
Proprietary Funds	2,988,514	2,964,569	3,185,746	3,176,490	5,953,083	6,362,236	409,153
Total Funds	\$54,375,121	\$56,892,672	\$57,176,577	\$57,101,153	\$111,267,793	\$114,277,730	\$3,009,937

Agency Description

Mission Statement: The quality of life for all Montanans is better because we excel at public service and effective administration of the tax and liquor laws. We do this by ensuring that revenues intended by the legislature to be raised are collected to serve Montanans, advancing equity and integrity in taxation, providing innovative and respectful service, protecting the public health and safety and achieving efficiency in liquor administration, and improving public understanding of Montana's revenue system.

The Department of Revenue collects revenue from and enforces regulations for about 40 Montana taxes and fees to achieve equity and integrity in taxation, all done while protecting taxpayer rights and information. In addition the department: values all property as accurately as possible and supervises Montana's property tax system; administers liquor laws to protect public health and safety receives abandoned property and seeks to return it to its rightful Montana owners administers unlocatable mineral trusts informs and advises the Governor, the legislature, and the public on tax trends and issues, and, cooperates with local, state, tribal, and federal governments to advance the public interest under the law. The Department of Revenue is composed of the following five programs: The Director's Office, Liquor Control Division, Citizen Services and Resource Management, Business and Income Taxes Division, and The Property Assessment Division.

Agency Highlights

Department of Revenue Major Budget Highlights
<p>The Department's budget increased by 2.30% compared to the 2015 appropriated budget. This increase was primarily due to:</p> <ul style="list-style-type: none"> • Increases in personal services driven by present law adjustments • OTO payouts, server replacements, and equipment life cycle • Rent increases in the Property Assessment Division and Citizen Services and Resource Management Division <p>The legislature approved the reorganization of the Information and Technology Division into the Director's Office and Citizen Services and Resource Management Division.</p>

Summary of Legislative Action

The Department of Revenue's budget increased by 2.30% compared to the last biennial appropriation. This increase was primarily driven by increases in personal services costs. The legislature approved the reorganization of the Information Management and Technology into the Director's Office and Citizen Services and Resource Management Division. The legislature approved the addition of three new FTE to replace contracted IT workers in the Director's Office.

Agency Discussion

The DOR administers the tax collection and compliance functions for most state taxes. Additionally, the department values all property in the state, regulates the sale and distribution of alcoholic beverages in the state, and administers the abandoned property program. In addition to personal services increases, the department was also appropriated one-time-only funds for server replacements and operating costs adjustments for server life cycles.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	105,336,029	0	265,086,579	370,422,608	66.63 %
State Special Total	2,033,941	0	176,179,000	178,212,941	32.06 %
Federal Special Total	545,524	0	0	545,524	0.10 %
Proprietary Total	6,362,236	368,360	0	6,730,596	1.21 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$114,277,730	\$368,360	\$441,265,579	\$555,911,669	
Percent - Total All Sources	20.56 %	0.07 %	79.38 %		

The department is primarily funded with general fund in the 2017 biennium. Proprietary funds support the operation of the Liquor Control Division and other divisions that support liquor control functions or the staff of the Liquor Control Division.

State special revenue supports:

- Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- Appraisal, assessment, and taxation processes
- Administration of the unclaimed property program

State special revenue from the property valuation improvement fund is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration.

Federal special revenue supports federal mineral royalty audits.

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								
Budget Item	-----General Fund-----				-----Total Funds-----			
	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	39,222,333	39,222,333	78,444,666	74.47 %	43,266,062	43,266,062	86,532,124	75.72 %
PL Adjustments	13,453,144	13,386,819	26,839,963	25.48 %	13,884,815	13,809,391	27,694,206	24.23 %
New Proposals	25,700	25,700	51,400	0.05 %	25,700	25,700	51,400	0.04 %
Total Budget	\$52,701,177	\$52,634,852	\$105,336,029		\$57,176,577	\$57,101,153	\$114,277,730	

Other Legislation

SB 157 - Revises property tax laws by changing the reappraisal cycle from a six year cycle to a two year cycle for class 3 agricultural land and class 4 residential and commercial property. It increases the class 10 rate from 0.29% to 0.37% and revises Montana’s Property Tax Assistance Program and Montana Disabled Veteran Property Tax Relief Program.

SB 410 - Creates two new tax credits, one for contributions to a new educational improvement special revenue account for distribution to school districts for new programs, and one for making donations to organizations that would give scholarships to students in private schools.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison	Base Budget	Executive Budget	Legislative Budget	Leg — Exec. Difference	Executive Budget	Legislative Budget	Leg — Exec. Difference	Biennium Difference
Budget Item	Fiscal 2014	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 16-17
FTE	670.28	651.55	648.55	(3.00)	651.55	648.55	(3.00)	(3.00)
Personal Services	38,139,750	42,629,679	41,389,892	(1,239,787)	42,692,281	41,498,316	(1,193,965)	(2,433,752)
Operating Expenses	15,724,956	15,741,122	15,724,206	(16,916)	15,333,838	15,540,358	206,520	189,604
Equipment & Intangible Assets	467,853	467,853	30,554	(437,299)	471,151	30,554	(440,597)	(877,896)
Transfers	0	0	0	0	0	0	0	0
Debt Service	42,562	37,864	31,925	(5,939)	37,864	31,925	(5,939)	(11,878)
Total Costs	\$54,375,121	\$58,876,518	\$57,176,577	(\$1,699,941)	\$58,535,134	\$57,101,153	(\$1,433,981)	(\$3,133,922)
General Fund	50,016,486	54,067,068	52,701,177	(1,365,891)	53,996,524	52,634,852	(1,361,672)	(2,727,563)
State/other Special Rev. Funds	1,120,067	1,252,050	1,016,392	(235,658)	1,042,050	1,017,549	(24,501)	(260,159)
Federal Spec. Rev. Funds	250,054	241,426	273,262	31,836	241,426	272,262	30,836	62,672
Other	2,988,514	3,315,974	3,185,746	(130,228)	3,255,134	3,176,490	(78,644)	(208,872)
Total Funds	\$54,375,121	\$58,876,518	\$57,176,577	(\$1,699,941)	\$58,535,134	\$57,101,153	(\$1,433,981)	(\$3,133,922)

The legislatively approved budget reduces general fund expenditures by \$2.7 million or 2.5% compared to the budget proposed by the executive. Across all funds, the approved budget is \$3.1 million or 2.6% below the executive request of \$117 million.

Language and Statutory Authority

The legislature approved the following language for inclusion in HB 2:

Liquor Control Division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts are appropriated from the liquor enterprise fund to the department in the amounts not to exceed \$138 million in FY 2016 and \$145 million in FY 2017.