

Agency Budget Comparison

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

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	Biennium % Change
FTE	670.28	670.28	648.55	648.55	670.28	648.55	(21.73)	(3.24)%
Personal Services	38,139,750	40,872,977	41,389,892	41,498,316	79,012,727	82,888,208	3,875,481	4.90 %
Operating Expenses	15,724,956	15,928,539	15,744,781	15,546,957	31,653,495	31,291,738	(361,757)	(1.14)%
Equipment & Intangible Assets	467,853	55,604	30,554	33,852	523,457	64,406	(459,051)	(87.70)%
Transfers	0	0	0	0	0	0	0	0.00 %
Debt Service	42,562	35,552	31,925	31,925	78,114	63,850	(14,264)	(18.26)%
Total Costs	\$54,375,121	\$56,892,672	\$57,197,152	\$57,111,050	\$111,267,793	\$114,308,202	\$3,040,409	2.73 %
General Fund	50,016,486	52,581,114	52,721,752	52,644,749	102,597,600	105,366,501	2,768,901	2.70 %
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)	(7.50)%
Federal Spec. Rev. Funds	250,054	268,095	273,262	272,262	518,149	545,524	27,375	5.28 %
Proprietary Funds	2,988,514	2,964,569	3,185,746	3,176,490	5,953,083	6,362,236	409,153	6.87 %
Total Funds	\$54,375,121	\$56,892,672	\$57,197,152	\$57,111,050	\$111,267,793	\$114,308,202	\$3,040,409	2.73 %

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Legislative Budget Analysis, A-95

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								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference 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	15,744,781	3,659	15,333,838	15,546,957	213,119	216,778
Equipment & Intangible Assets	467,853	467,853	30,554	(437,299)	471,151	33,852	(437,299)	(874,598)
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	\$57,197,152	(\$1,679,366)	\$58,535,134	\$57,111,050	(\$1,424,084)	(\$3,103,450)
General Fund	50,016,486	54,067,068	52,721,752	(1,345,316)	53,996,524	52,644,749	(1,351,775)	(2,697,091)
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	\$57,197,152	(\$1,679,366)	\$58,535,134	\$57,111,050	(\$1,424,084)	(\$3,103,450)

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.

Agency Highlights

**Department of Revenue
Major Budget Highlights**

- The legislature adopted a budget that would increase in the next biennium. This increase is primarily due to increases in personal services driven by present law adjustment.
- Increases in the operating budget are due to server replacements in the Director's Office as well as monitoring equipment life cycles in the Liquor Control Division.

Funding

The following table shows proposed agency funding by source of authority as proposed. 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	105,366,501	0	265,086,579	370,453,080	66.64 %
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	\$114,308,202	\$368,360	\$441,265,579	\$555,942,141	
Percent - Total All Sources	20.56 %	0.07 %	79.37 %		

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	74.45 %	43,266,062	43,266,062	86,532,124	75.70 %
PL Adjustments	13,453,144	13,386,819	26,839,963	25.47 %	13,884,815	13,809,391	27,694,206	24.23 %
New Proposals	46,275	35,597	81,872	0.08 %	46,275	35,597	81,872	0.07 %
Total Budget	\$52,721,752	\$52,644,749	\$105,366,501		\$57,197,152	\$57,111,050	\$114,308,202	

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	83.48	83.48	83.75	83.75	83.48	83.75	0.27	0.32 %
Personal Services	6,552,504	6,784,010	7,035,228	7,131,288	13,336,514	14,166,516	830,002	6.22 %
Operating Expenses	7,119,951	6,860,705	7,227,531	7,122,616	13,980,656	14,350,147	369,491	2.64 %
Equipment & Intangible Assets	277,639	25,050	0	0	302,689	0	(302,689)	(100.00)%
Total Costs	\$13,950,094	\$13,669,765	\$14,262,759	\$14,253,904	\$27,619,859	\$28,516,663	\$896,804	3.25 %
General Fund	13,451,734	13,185,675	13,775,345	13,767,115	26,637,409	27,542,460	905,051	3.40 %
State/Other Special Rev. Funds	112,614	114,097	117,111	117,111	226,711	234,222	7,511	3.31 %
Federal Spec. Rev. Funds	1,000	0	1,000	0	1,000	1,000	0	0.00 %
Proprietary Funds	384,746	369,993	369,303	369,678	754,739	738,981	(15,758)	(2.09)%
Total Funds	\$13,950,094	\$13,669,765	\$14,262,759	\$14,253,904	\$27,619,859	\$28,516,663	\$896,804	3.25 %

Page Reference

Legislative Budget Analysis, A-99

Funding

Funding for the Director's Office 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								
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	5,590,362	5,590,362	11,180,724	40.59 %	5,823,010	5,823,010	11,646,020	40.84 %
PL Adjustments	8,184,983	8,176,753	16,361,736	59.41 %	8,439,749	8,430,894	16,870,643	59.16 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$13,775,345	\$13,767,115	\$27,542,460		\$14,262,759	\$14,253,904	\$28,516,663	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	173,663	0	1,000	174,663	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	39,245	0	0	39,245	0.00	39,245	0	0	39,245
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	127,270	3,014	0	131,091	0.00	127,270	3,014	0	131,091
DP 525 - Fixed Cost Adjustments	0.00	(115,307)	0	0	(115,307)	0.00	(33,159)	0	0	(33,159)
DP 527 - Inflation/Deflation Adjustments	0.00	(7,073)	0	0	(7,073)	0.00	(7,031)	0	0	(7,031)
DP 531 - SITSD Rate Adjustment	0.00	60,133	0	0	53,395	0.00	60,236	0	0	53,486
DP 532 - General Liability Insurance Rate Adjustment	0.00	(1,655)	0	0	(1,655)	0.00	(1,655)	0	0	(1,655)
DP 550 - Motor Pool Rate Adjustment	0.00	(592)	0	0	(592)	0.00	(600)	0	0	(600)
DP 100103 - Fiscal Note Overtime (OTO/RST)	0.00	0	0	0	0	0.00	70,000	0	0	70,000
DP 100106 - Longevity and Other Adjustments	0.00	(68,178)	0	0	(68,178)	0.00	(50,087)	0	0	(50,087)
DP 100107 - Operating Cost Adjustments	0.00	(157,718)	0	0	98,965	0.00	(158,105)	0	0	98,965
DP 100108 - Reorganization-Personal Services	0.00	2,558,705	0	0	2,558,705	0.00	2,558,705	0	0	2,558,705
DP 100109 - Reorganization-Operating Expenses	0.00	5,218,050	0	0	5,218,050	0.00	5,218,050	0	0	5,218,050
DP 100110 - Server Replacements (OTO/RST)	0.00	376,855	0	0	376,855	0.00	376,855	0	0	376,855
DP 100111 - IT FTE	3.00	(18,415)	0	0	(18,415)	3.00	(22,971)	0	0	(22,971)
DP 100444 - Statewide 4% FTE Reduction-Program 1	(2.73)	0	0	0	0	(2.73)	0	0	0	0
Grand Total All Present Law Adjustments	0.27	\$8,184,983	\$3,014	\$1,000	\$8,439,749	0.27	\$8,176,753	\$3,014	\$0	\$8,430,894

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for legislative audit. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 100103 - Fiscal Note Overtime (OTO/RST) -

The legislature approved \$70,000 in general fund in the 2017 biennium to cover necessary overtime expenditures in the Tax Policy and Research Office created by the staff time for fiscal note preparation in the 2017 Legislative Session.

DP 100106 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 100107 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 100108 - Reorganization-Personal Services -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 100109 - Reorganization-Operating Expenses -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 100110 - Server Replacements (OTO/RST) -

The legislature adopted restricted one-time-only server replacements for the Director's Office.

DP 100111 - IT FTE -

The legislature replaced contracted IT workers with 3 new FTE in the Director's Office.

DP 100444 - Statewide 4% FTE Reduction-Program 1 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 300444 includes a reduction of 2.73 FTE each year.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	31.75	31.75	30.75	30.75	31.75	30.75	(1.00)	(3.15)%
Personal Services	1,917,061	1,962,006	2,120,656	2,116,786	3,879,067	4,237,442	358,375	9.24 %
Operating Expenses	423,346	532,114	594,628	587,544	955,460	1,182,172	226,712	23.73 %
Equipment & Intangible Assets	190,214	30,554	30,554	30,554	220,768	61,108	(159,660)	(72.32)%
Transfers	0	0	0	0	0	0	0	0.00 %
Debt Service	36,177	31,925	31,925	31,925	68,102	63,850	(4,252)	(6.24)%
Total Costs	\$2,566,798	\$2,556,599	\$2,777,763	\$2,766,809	\$5,123,397	\$5,544,572	\$421,175	8.22 %
General Fund	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	2,566,798	2,556,599	2,777,763	2,766,809	5,123,397	5,544,572	421,175	8.22 %
Total Funds	\$2,566,798	\$2,556,599	\$2,777,763	\$2,766,809	\$5,123,397	\$5,544,572	\$421,175	8.22 %

Page Reference

Legislative Budget Analysis, A-104

Funding

The division is funded with a direct appropriation of Liquor Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund.

Budget Summary by Category

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

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	0	0	0	0.00 %	2,556,599	2,556,599	5,113,198	0.00 %
PL Adjustments	0	0	0	0.00 %	221,164	210,210	431,374	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$2,777,763	\$2,766,809	\$5,544,572	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance										
0.00	0	0	0	14,945	0.00	0	0	0	14,945	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE										
0.00	0	0	0	36,159	0.00	0	0	0	36,159	
DP 525 - Fixed Cost Adjustments										
0.00	0	0	0	7,366	0.00	0	0	0	(4,842)	
DP 527 - Inflation/Deflation Adjustments										
0.00	0	0	0	3,693	0.00	0	0	0	8,819	
DP 532 - General Liability Insurance Rate Adjustment										
0.00	0	0	0	1,356	0.00	0	0	0	1,356	
DP 550 - Motor Pool Rate Adjustment										
0.00	0	0	0	(202)	0.00	0	0	0	(204)	
DP 300304 - Longevity and Other Adjustments										
0.00	0	0	0	4,672	0.00	0	0	0	18,710	
DP 300305 - Operating Cost Adjustments/Equipment Life Cycle (OTO)										
0.00	0	0	0	50,301	0.00	0	0	0	50,301	
DP 300306 - Other PS Services Adjustments										
0.00	0	0	0	(2,126)	0.00	0	0	0	(20,034)	
DP 300307 - Overtime (OTO/RST/Biennial)										
0.00	0	0	0	75,000	0.00	0	0	0	75,000	
DP 300308 - Termination Payouts (OTO/RST/Biennial)										
0.00	0	0	0	30,000	0.00	0	0	0	30,000	
DP 300444 - Statewide 4% FTE Reduction-Program 3										
(1.00)	0	0	0	0	(1.00)	0	0	0	0	
Grand Total All Present Law Adjustments										
(1.00)	\$0	\$0	\$0	\$221,164	(1.00)	\$0	\$0	\$0	\$210,210	

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 300304 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 300305 - Operating Cost Adjustments/Equipment Life Cycle (OTO) -

The legislature adopted all other operating cost adjustments and equipment life cycle funding.

DP 300306 - Other PS Services Adjustments -

The legislature adopted the remaining personal services adjustments in the Liquor Control Division.

DP 300307 - Overtime (OTO/RST/Biennial) -

The legislature adopted \$150,000 in proprietary funds to meet the required statutory service levels for liquor.

DP 300308 - Termination Payouts (OTO/RST/Biennial) -

The legislature adopted additional funding of \$60,000 in proprietary funds for the 2017 biennium for accrued leave termination payouts. This request had been made and approved by several previous legislatures; however, due to budgetary rules, it must be requested each legislative session. The liquor enterprise fund accrues leave balances at the end of each fiscal year in the proprietary fund. This additional spending authority may only be used to pay the required payout of accrued leave balances upon a termination.

DP 300444 - Statewide 4% FTE Reduction-Program 3 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 300444 includes a reduction of 1.00 FTE each year.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	110.25	110.25	107.25	107.25	110.25	107.25	(3.00)	(2.72)%
Personal Services	5,227,727	5,744,295	5,911,894	5,936,958	10,972,022	11,848,852	876,830	7.99 %
Operating Expenses	2,914,787	2,926,162	2,902,885	2,874,648	5,840,949	5,777,533	(63,416)	(1.09)%
Total Costs	\$8,142,514	\$8,670,457	\$8,814,779	\$8,811,606	\$16,812,971	\$17,626,385	\$813,414	4.84 %
General Fund	7,797,661	8,360,565	8,567,655	8,563,184	16,158,226	17,130,839	972,613	6.02 %
State/Other Special Rev. Funds	307,883	271,915	208,444	208,419	579,798	416,863	(162,935)	(28.10)%
Proprietary Funds	36,970	37,977	38,680	40,003	74,947	78,683	3,736	4.98 %
Total Funds	\$8,142,514	\$8,670,457	\$8,814,779	\$8,811,606	\$16,812,971	\$17,626,385	\$813,414	4.84 %

Page Reference

Legislative Budget Analysis, A-108

Funding

The Citizens Services and Resource Management Division is funded primarily by the general fund. State special revenue funds the division’s administration of livestock per capita fee, and for support of the unclaimed property program. The finances of the Collections Services Program are not shown in the HB 2 tables because it is funded with proprietary funds. The Collections Services Program is discussed in the Proprietary Rates Section that follows the HB 2 discussion.

As seen in the figure above, the Citizen Services and Resource Management program is also responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments.

Budget Summary by Category

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

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	3,584,757	3,584,757	7,169,514	41.85 %	3,845,828	3,845,828	7,691,656	43.64 %
PL Adjustments	4,982,898	4,978,427	9,961,325	58.15 %	4,968,951	4,965,778	9,934,729	56.36 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$8,567,655	\$8,563,184	\$17,130,839		\$8,814,779	\$8,811,606	\$17,626,385	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance										
0.00	52,124	0	0	52,124	0.00	52,124	0	0	52,124	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE										
0.00	108,110	0	0	109,692	0.00	108,110	0	0	109,692	
DP 525 - Fixed Cost Adjustments										
0.00	26,307	0	0	26,307	0.00	(17,417)	0	0	(17,417)	
DP 527 - Inflation/Deflation Adjustments										
0.00	(331)	0	0	(331)	0.00	(343)	0	0	(343)	
DP 532 - General Liability Insurance Rate Adjustment										
0.00	(2,114)	0	0	(2,114)	0.00	(2,114)	0	0	(2,114)	
DP 550 - Motor Pool Rate Adjustment										
0.00	(28)	0	0	(28)	0.00	(28)	0	0	(28)	
DP 500444 - Statewide 4% FTE Reduction- Program 5										
(3.00)	0	0	0	0	(3.00)	0	0	0	0	
DP 500504 - Reduce Hail Insurance Authority										
0.00	0	(42,381)	0	(42,381)	0.00	0	(42,381)	0	(42,381)	
DP 500505 - Longevity and Other Adjustments										
0.00	5,783	0	0	5,783	0.00	30,847	0	0	30,847	
DP 500506 - Operating Cost Adjustments										
0.00	(60,308)	27,731	0	(33,456)	0.00	(60,281)	27,706	0	(32,131)	
DP 500507 - Reorganization-Personal Services										
0.00	2,684,310	0	0	2,684,310	0.00	2,684,310	0	0	2,684,310	
DP 500508 - Reorganization-Operating Expenses										
0.00	2,140,318	0	0	2,140,318	0.00	2,140,318	0	0	2,140,318	
DP 500509 - CSRM Rent										
0.00	28,727	0	0	28,727	0.00	42,901	0	0	42,901	
Grand Total All Present Law Adjustments										
(3.00)	\$4,982,898	(\$14,650)	\$0	\$4,968,951	(3.00)	\$4,978,427	(\$14,675)	\$0	\$4,965,778	

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 500444 - Statewide 4% FTE Reduction- Program 5 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 500444 includes a reduction of 3.00 FTE each year.

DP 500504 - Reduce Hail Insurance Authority -

The legislature adopted the reduction of authority used to administer the hail insurance program that was transferred to the Department of Agriculture in SB 162 during the 2013 Legislative Session.

DP 500505 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 500506 - Operating Cost Adjustments -

The legislature adopted all other operating cost adjustments.

DP 500507 - Reorganization-Personal Services -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 500508 - Reorganization-Operating Expenses -

The legislature adopted the personal services and operating reorganization of the Information Management and Technology Division into the Director's Office and Citizen Services and Resource Management Division.

DP 500509 - CSRM Rent -

The legislature approved \$28,727 in FY 2016 and \$42,901 in FY 2017 to cover the costs of increases in lease agreements for the Donovan Building.

Other Issues -*Program Description*

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA. The department established the Collections Services Program, which includes 3.50 FTE, to administer its statutory responsibilities under Title 17, chapter 4, MCA. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

Proprietary Revenue and Expenses

The department is currently authorized to charge a commission rate up to 5% for its collection services excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program.

Approximately 83% of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program.

Administration of this program requires a minimum of a 9-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

Proprietary Rate Explanation

The legislature approved a maximum commission rate of 5% continue into the 2017 biennium. Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

For the 2017 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes.

CSRM Collection Services - 06554								
	Actual FY2014	Budgeted FY2015	Budgeted FY2016	Budgeted FY2017	2015 Bien	2017 Bien	Biennial Change	% Change
Operating Revenues:								
Fee revenue								
Charges for Services (non-DOR)	\$150,878	\$198,487	\$199,955	\$200,025	\$349,365	\$399,980	\$50,615	\$0
Charges for Services (DOR)	<u>50,214</u>	<u>2,605</u>	<u>1,137</u>	<u>1,067</u>	<u>52,819</u>	<u>2,204</u>	<u>(50,615)</u>	-95.8%
Total Fee/Operating Revenue	201,092	201,092	201,092	201,092	402,184	402,184	0	0.0%
Operating Expenses:								
Personal Services	142,826	160,000	160,000	160,000	302,826	320,000	17,174	5.7%
Other Post Employment Expense	11,118	11,118	11,118	11,118	22,236	22,236	0	0.0%
Other Operating Expenses	<u>22,041</u>	<u>22,041</u>	<u>22,041</u>	<u>22,041</u>	<u>44,082</u>	<u>44,082</u>	<u>0</u>	<u>0.0%</u>
Total Operating Expenses	\$175,985	\$193,159	\$193,159	\$193,159	\$369,144	\$386,318	\$17,174	4.7%
Operating Income (Loss)	\$25,107	\$7,933	\$7,933	\$7,933	\$33,040	\$15,866	(\$17,174)	

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	138.45	138.45	133.45	133.45	138.45	133.45	(5.00)	(3.61)%
Personal Services	8,655,954	8,807,655	9,048,138	9,073,202	17,463,609	18,121,340	657,731	3.77 %
Operating Expenses	1,508,704	1,472,324	1,421,948	1,493,918	2,981,028	2,915,866	(65,162)	(2.19)%
Equipment & Intangible Assets	0	0	0	3,298	0	3,298	3,298	0.00 %
Total Costs	\$10,164,658	\$10,279,979	\$10,470,086	\$10,570,418	\$20,444,637	\$21,040,504	\$595,867	2.91 %
General Fund	9,254,776	9,339,739	9,520,106	9,620,438	18,594,515	19,140,544	546,029	2.94 %
State/Other Special Rev. Funds	660,828	672,145	677,718	677,718	1,332,973	1,355,436	22,463	1.69 %
Federal Spec. Rev. Funds	249,054	268,095	272,262	272,262	517,149	544,524	27,375	5.29 %
Proprietary Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$10,164,658	\$10,279,979	\$10,470,086	\$10,570,418	\$20,444,637	\$21,040,504	\$595,867	2.91 %

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Funding

The Business and Income Taxes Division is primarily funded with general fund, with some state special revenue and federal special revenue. State special revenue comes from the unclaimed property fund for program support and tobacco settlement funds that supports tobacco tax compliance activities. Other state special revenue includes the accommodations tax, funds expenses for administering the tax, and cigarette tax administration. Federal special revenue comes from reimbursements for performing mineral royalty audits.

Additionally, the Business and Income Taxes Division administers a statutory appropriation for the administrative costs of the film production credit. In the 2017 biennium, the statutory appropriation is estimated to provide \$11,000 toward the administrative costs.

Budget Summary by Category

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

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	9,339,739	9,339,739	18,679,478	97.59 %	10,279,979	10,279,979	20,559,958	97.72 %
PL Adjustments	134,092	245,102	379,194	1.98 %	143,832	254,842	398,674	1.89 %
New Proposals	46,275	35,597	81,872	0.43 %	46,275	35,597	81,872	0.39 %
Total Budget	\$9,520,106	\$9,620,438	\$19,140,544		\$10,470,086	\$10,570,418	\$21,040,504	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance	0.00	64,857	0	0	64,857	0.00	64,857	0	0	64,857
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	160,103	5,573	0	169,843	0.00	160,103	5,573	0	169,843
DP 525 - Fixed Cost Adjustments	0.00	(56,219)	0	0	(56,219)	0.00	29,599	0	0	29,599
DP 527 - Inflation/Deflation Adjustments	0.00	(34,907)	0	0	(34,907)	0.00	(34,739)	0	0	(34,739)
DP 532 - General Liability Insurance Rate Adjustment	0.00	(2,606)	0	0	(2,606)	0.00	(2,606)	0	0	(2,606)
DP 550 - Motor Pool Rate Adjustment	0.00	(2,919)	0	0	(2,919)	0.00	(2,959)	0	0	(2,959)
DP 700444 - Statewide 4% Reduction-Program 7	(5.00)	0	0	0	0	(5.00)	0	0	0	0
DP 700703 - Longevity and Other Adjustments	0.00	5,783	0	0	5,783	0.00	30,847	0	0	30,847
DP 700704 - Remove proprietary authority	0.00	0	0	4,167	0	0.00	0	0	4,167	0
Grand Total All Present Law Adjustments	(5.00)	\$134,092	\$5,573	\$4,167	\$143,832	(5.00)	\$245,102	\$5,573	\$4,167	\$254,842

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 700444 - Statewide 4% Reduction-Program 7 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 700444 includes a reduction of 5.00 FTE each year.

DP 700703 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 700704 - Remove proprietary authority -

This replaced proprietary authority with federal special authority as this program did not have the authority to spend proprietary funds.

New Proposals -

The "New Proposals" table shows the changes from the legislative appropriation for FY 15 to the proposed budget.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700701 - Funding for Cigarette Tax Stamps - Biennial	0.00	25,700	0	0	25,700	0.00	25,700	0	0	25,700
DP 700702 - Funding for Apprenticeship Tax Credit	0.00	20,575	0	0	20,575	0.00	9,897	0	0	9,897
Total	0.00	\$46,275	\$0	\$0	\$46,275	0.00	\$35,597	\$0	\$0	\$35,597

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 700701 - Funding for Cigarette Tax Stamps - Biennial -

The legislature adopted a \$51,400 biennial appropriation for the purchase of cigarette stamps. Montana law requires all cigarettes sold in the state to be taxed. Like all states, Montana enforces this taxation through affixing a tax stamp to each pack of cigarettes sold. The tax stamp informs customers, retailers, and the department that the appropriate amount of tax was collected on the cigarettes sold.

DP 700702 - Funding for Apprenticeship Tax Credit -

The legislature approved general fund authority in the Business and Income Taxes Division to administer the Apprenticeship Tax Credit if legislation passes. Changes to tax returns would be made as part of the annual update process with no additional costs. Authority for the costs to add the credit to the department's data processing systems in FY 2016 would be \$20,575 and \$9,897 in FY 2017. This change package is contingent on passage and approval of HB 277.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	306.35	306.35	293.35	293.35	306.35	293.35	(13.00)	(4.24)%
Personal Services	15,786,504	17,575,011	17,273,976	17,240,082	33,361,515	34,514,058	1,152,543	3.45 %
Operating Expenses	3,758,168	4,137,234	3,597,789	3,468,231	7,895,402	7,066,020	(829,382)	(10.50)%
Debt Service	6,385	3,627	0	0	10,012	0	(10,012)	(100.00)%
Total Costs	\$19,551,057	\$21,715,872	\$20,871,765	\$20,708,313	\$41,266,929	\$41,580,078	\$313,149	0.76 %
General Fund	19,512,315	21,695,135	20,858,646	20,694,012	41,207,450	41,552,658	345,208	0.84 %
State/Other Special Rev. Funds	38,742	20,737	13,119	14,301	59,479	27,420	(32,059)	(53.90)%
Total Funds	\$19,551,057	\$21,715,872	\$20,871,765	\$20,708,313	\$41,266,929	\$41,580,078	\$313,149	0.76 %

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Funding

Funding for the Property Assessment Division is almost entirely from the general fund. State special revenue is for the administration of the livestock per capita fee.

Budget Summary by Category

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

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	20,707,475	20,707,475	41,414,950	99.67 %	20,760,646	20,760,646	41,521,292	99.86 %
PL Adjustments	151,171	(13,463)	137,708	0.33 %	111,119	(52,333)	58,786	0.14 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$20,858,646	\$20,694,012	\$41,552,658		\$20,871,765	\$20,708,313	\$41,580,078	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance	0.00	142,568	0	0	142,568	0.00	142,568	0	0	142,568
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	325,483	0	0	325,483	0.00	325,483	0	0	325,483
DP 525 - Fixed Cost Adjustments	0.00	79,478	0	0	79,478	0.00	(51,397)	0	0	(51,397)
DP 527 - Inflation/Deflation Adjustments	0.00	(355,300)	0	0	(355,300)	0.00	(353,541)	0	0	(353,541)
DP 532 - General Liability Insurance Rate Adjustment	0.00	(5,728)	0	0	(5,728)	0.00	(5,728)	0	0	(5,728)
DP 550 - Motor Pool Rate Adjustment	0.00	(29,687)	0	0	(29,687)	0.00	(30,129)	0	0	(30,129)
DP 570 - Other Personal Services Adjustments	0.00	(26,781)	(22,046)	0	(48,827)	0.00	(113,401)	(20,864)	0	(134,265)
DP 800444 - Statewide 4% FTE Reduction-Program 8	(13.00)	0	0	0	0	(13.00)	0	0	0	0
DP 800802 - Longevity and Other Adjustments	0.00	(38,537)	0	0	(38,537)	0.00	13,007	0	0	13,007
DP 800803 - Reduce Hail Insurance Authority	0.00	0	(18,006)	0	(18,006)	0.00	0	(18,006)	0	(18,006)
DP 800804 - Property Assessment Rent	0.00	59,675	0	0	59,675	0.00	59,675	0	0	59,675
Grand Total All Present Law Adjustments	(13.00)	\$151,171	(\$40,052)	\$0	\$111,119	(13.00)	(\$13,463)	(\$38,870)	\$0	(\$52,333)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustments -

The legislature adopted fixed cost adjustments.

DP 527 - Inflation/Deflation Adjustments -

The legislature adopted inflation/deflation adjustments.

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 570 - Other Personal Services Adjustments -

The legislature adopted all other personal services adjustments in the property assessment division.

DP 800444 - Statewide 4% FTE Reduction-Program 8 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 800444 includes a reduction of 13.00 FTE each year.

DP 800802 - Longevity and Other Adjustments -

The legislature adopted personal services adjustments for longevity, retirement, unemployment insurance, and workers compensation.

DP 800803 - Reduce Hail Insurance Authority -

The legislature approved the reduction of authority used to administer the hail insurance program that was transferred to the Department of Agriculture in SB 162 during the 2013 Legislative Session.

DP 800804 - Property Assessment Rent -

This approved general fund authority of \$59,675 for rent in both FY 2016 and FY 2017.