

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	49.48	49.48	50.48	50.48	49.48	50.48	1.00	2.02%
Personal Services	3,795,101	3,834,541	3,990,448	4,064,543	7,629,642	8,054,991	425,349	5.57%
Operating Expenses	1,916,159	1,715,098	1,898,268	1,713,466	3,631,257	3,611,734	(19,523)	(0.54%)
<b>Total Costs</b>	<b>\$5,711,260</b>	<b>\$5,549,639</b>	<b>\$5,888,716</b>	<b>\$5,778,009</b>	<b>\$11,260,899</b>	<b>\$11,666,725</b>	<b>\$405,826</b>	<b>3.60%</b>
General Fund	5,490,203	5,326,317	5,659,196	5,548,375	10,816,520	11,207,571	391,051	3.62%
State Special	106,257	107,607	114,136	113,971	213,864	228,107	14,243	6.66%
Federal Special	1,000	1,000	1,000	0	2,000	1,000	(1,000)	(50.00%)
Other	113,800	114,715	114,384	115,663	228,515	230,047	1,532	0.67%
<b>Total Funds</b>	<b>\$5,711,260</b>	<b>\$5,549,639</b>	<b>\$5,888,716</b>	<b>\$5,778,009</b>	<b>\$11,260,899</b>	<b>\$11,666,725</b>	<b>\$405,826</b>	<b>3.60%</b>

### Program Description

The Director's Office is responsible for overall efficient and effective 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 four primary sections.

The Executive Office is responsible for the general guidance and management of the agency. This office assists the director with administrative functions and communication to the public, other agencies, and elected officials and includes the Office of Taxpayer Assistance established by law.

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. This office oversees the Security and Disclosure Office that is responsible for ensuring that all taxpayer information is secure. The office also oversees the Office of Dispute Resolution, established by law, which reviews, facilitates, and resolves taxpayer disputes internally through a variety of means including hearings and mediation.

Tax Policy and Research provides accurate and timely information for the director to advise the Governor, the legislature, and Montana citizens including the compilation of basic tax data and the publication of the Biennial Report and other documents; conducts tax, economic and compliance studies; prepares legislative fiscal notes that affect revenue; provides analysis of legislative proposals affecting the department; and provides department economic and compliance data analysis.

Human Resources and Organizational Development is responsible for the human resources, payroll and benefits, and education and training functions of the department.

**Program Highlights**

<b>Directors Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Directors Office budget would increase by \$405,826, or 3.6%, due primarily to personal service cost increases related to:                             <ul style="list-style-type: none"> <li>• 1.00 FTE in the 2015 biennium</li> <li>• Raises provided in FY 2012</li> </ul> </li> <li>◆ Reductions in operating expenses would offset the increases in personal services</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ The budget would include one new FTE that would duplicate high level functions</li> </ul>

**Program Discussion**

The Directors Office budget proposal would increase by a total \$405,826, or 3.6% primarily due to increases in personal services, which include:

- A request for 1.00 FTE that increases the biennial personal service costs by \$146,737
- Raises and job reclassifications provided for 21 of the 49.48 FTE, or 42.4%, of the budgeted staff, with an annualized cost of more than \$92,000 each year, not including taxes and insurance

The division experienced a vacancy rate, based on position usage, of 4.0% in FY 2012, compared to the budgeted 4% rate.

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Directors Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$11,207,571	\$0	\$234,511,665	\$245,719,236	99.8%	15-1-121 15-1-218	Pass Thru Direct
State Special Total	\$228,107	\$0	\$0	\$228,107	0.1%		
02790 6901-statewide Tobacco Stlmnt	\$228,107	\$0	\$0	\$228,107	0.1%		
Federal Special Total	\$1,000	\$0	\$0	\$1,000	0.0%		
03928 Royalty Audit - Nrct	\$1,000	\$0	\$0	\$1,000	0.0%		
Proprietary Total	\$230,047	\$0	\$0	\$230,047	0.1%		
06005 Liquor Division	\$230,047	\$0	\$0	\$230,047	0.1%		
<b>Total All Funds</b>	<b>\$11,666,725</b>	<b>\$0</b>	<b>\$234,511,665</b>	<b>\$246,178,390</b>	<b>100.0%</b>		
<b>Percent - Total All Sources</b>	<b>4.7%</b>	<b>0.0%</b>	<b>95.3%</b>				

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 by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,490,203	5,490,203	10,980,406	97.97%	5,711,260	5,711,260	11,422,520	97.91%
Statewide PL Adjustments	201,553	24,230	225,783	2.01%	210,016	32,807	242,823	2.08%
Other PL Adjustments	(27,423)	39,079	11,656	0.10%	(27,423)	39,079	11,656	0.10%
New Proposals	(5,137)	(5,137)	(10,274)	(0.09%)	(5,137)	(5,137)	(10,274)	(0.09%)
<b>Total Budget</b>	<b>\$5,659,196</b>	<b>\$5,548,375</b>	<b>\$11,207,571</b>		<b>\$5,888,716</b>	<b>\$5,778,009</b>	<b>\$11,666,725</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					285,135					289,511
Vacancy Savings					(163,213)					(163,381)
Inflation/Deflation					(5)					86
Fixed Costs					88,099					(93,409)
<b>Total Statewide Present Law Adjustments</b>		<b>\$201,553</b>	<b>\$7,879</b>	<b>\$0</b>	<b>\$210,016*</b>		<b>\$24,230</b>	<b>\$7,714</b>	<b>(\$1,000)</b>	<b>\$32,807*</b>
DP 101 - Taxpayer Appeals Efficiency and Fairness	1.00	83,577	0	0	83,577	1.00	80,079	0	0	80,079
DP 102 - Overtime Pay for Timely Legislative Fiscal Notes	0.00	0	0	0	0	0.00	70,000	0	0	70,000
DP 103 - Adjust for Operating Plan Change	0.00	(111,000)	0	0	(111,000)	0.00	(111,000)	0	0	(111,000)
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>(\$27,423)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$27,423)</b>	<b>1.00</b>	<b>\$39,079</b>	<b>\$0</b>	<b>\$0</b>	<b>\$39,079</b>
<b>Grand Total All Present Law Adjustments</b>	<b>1.00</b>	<b>\$174,130</b>	<b>\$7,879</b>	<b>\$0</b>	<b>\$182,593*</b>	<b>1.00</b>	<b>\$63,309</b>	<b>\$7,714</b>	<b>(\$1,000)</b>	<b>\$71,886*</b>

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

DP 101 - Taxpayer Appeals Efficiency and Fairness - The executive requests 1.00 FTE in the Office of Dispute Resolution.

<b>LFD ISSUE</b>	<p><u>Request for Additional FTE</u></p> <p>The DOR Directors Office is requesting an additional FTE to assist the incumbent in the position of Dispute Resolution Officer and facilitate succession planning for the incumbent’s pending retirement. The incumbent in the position is a 40 year veteran of DOR and is planning to retire during the 2015 biennium. According to DOR, increasing workloads have caused the incumbent to push deadlines and delegate decision making in order to meet fixed deadlines. The proposal would add a high level staff position for succession planning and to resolve workload issues. The job code associated with this request indicates the position would be an “Administrative Law Judge”. While transitioning for a replacement is an important planning tool, this request represents a duplication of high level agency functions when assistance for the position may be all that is needed on a long-term basis.</p> <p>The legislature may consider adding 1.00 FTE on a one-time-only basis to transition into the position of Dispute Resolution Officer in the 2015 biennium. If workload issues continue to be a concern, the agency could request an additional FTE next biennium.</p>
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DP 102 - Overtime Pay for Timely Legislative Fiscal Notes - The executive requests a general fund appropriation for overtime in the Tax Policy and Research Office (TPR) to prepare fiscal notes for the 2015 Legislature. The costs are not included in the base year expenditures due to the cyclical nature of the workload.

<b>LFD COMMENT</b>	<p>In the 2011 Legislative Session, the Directors Office made a request similar to DP 102. The 2011 Legislature chose to make this request a separate line item and restrict the use of the funds. With this action, the Legislature precluded the use of the appropriated funds for other purposes. The 2013 Legislature may wish to consider continuing this practice.</p>
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DP 103 - Adjust for Operating Plan Change - The executive requests a reduction of general fund in its base budget. In the base year, the department moved personal services budget authority into the Director's Office operating expense budget to pay department expenditures. To maintain the base budget at the level appropriated by the last legislature, this amount would be removed from the division's base budget.

**New Proposals**

New Proposals											
	-----Fiscal 2014-----					-----Fiscal 2015-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation											
01	0.00	(5,137)	0	0	(5,137)	0.00	(5,137)	0	0	(5,137)	
<b>Total</b>	<b>0.00</b>	<b>(\$5,137)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,137)</b>	<b>0.00</b>	<b>(\$5,137)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,137)</b>	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.