

Agency Budget Comparison

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

Agency 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	659.28	659.28	679.28	679.28	659.28	679.28	20.00	3.03%
Personal Services	36,246,957	36,629,023	38,587,736	38,685,265	72,875,980	77,273,001	4,397,021	6.03%
Operating Expenses	15,200,024	14,788,745	16,405,769	16,080,258	29,988,769	32,486,027	2,497,258	8.33%
Equipment & Intangible Assets	143,765	330,978	79,646	55,604	474,743	135,250	(339,493)	(71.51%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	31,925	31,925	0	63,850	63,850	n/a
Total Costs	\$51,590,746	\$51,748,746	\$55,105,076	\$54,853,052	\$103,339,492	\$109,958,128	\$6,618,636	6.40%
General Fund	47,663,801	47,756,729	50,818,750	50,601,932	95,420,530	101,420,682	6,000,152	6.29%
State Special	1,015,571	1,028,900	1,160,893	1,161,312	2,044,471	2,322,205	277,734	13.58%
Federal Special	256,608	271,218	252,611	251,479	527,826	504,090	(23,736)	(4.50%)
Other	2,654,766	2,691,899	2,872,822	2,838,329	5,346,665	5,711,151	364,486	6.82%
Total Funds	\$51,590,746	\$51,748,746	\$55,105,076	\$54,853,052	\$103,339,492	\$109,958,128	\$6,618,636	6.40%

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.

For additional information, please refer to the agency profile.

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> ◆ Personal services would increase \$4.4 million, or 6.0%, from the 2013 biennium primarily due to: <ul style="list-style-type: none"> ● The addition of 20.00 FTE ● Raises given to 250 staff ◆ Operating expenses would increase by \$2.5 million, or 8.3%, from the 2013 biennium primarily due to: <ul style="list-style-type: none"> ● Present law adjustments ● \$259,687 in rent increases in county property assessment offices ● \$1.0 million increase in GenTax maintenance and development costs
Legislative Action Issues
<ul style="list-style-type: none"> ◆ The executive would replace temporary FTE with permanent ◆ Language appropriations are used for personal service costs

Agency Discussion

Not included above is an additional \$190,000 of personal service costs requested in language appropriations in the Liquor Control Division. Because these costs are requested in language appropriations, they are not seen in the budget comparison table above and do not appear in the calculations of statewide personal service costs. For more information on this use of language appropriations, refer to the Liquor Control Division narrative of this report.

Agency Personal Services

Overall, the agency does not have difficulty filling positions and most vacancies are filled in a timely fashion. Other information of the DOR personal services include:

- There were 45.75 FTE vacancies in mid FY 2012, or about 6.9%
- The overall vacancy savings based upon utilized hours in FY 2012 was 4.8%, compared to a budgeted 4%
- 250 staff representing 37.9% of budgeted FTE were given raises in FY 2012
 - Employees in pay increments 1 through 4 received pay raises in both FY 2012 and FY 2013
 - Information on occupations included in the various pay bands is seen in the appendix
 - The raises were provided as pay band progressions and averaged 7.0%
 - Annualized amount of pay increases is \$676,948, not including increased costs of taxes and insurances, which would add approximately \$115,000
- 237 FTE or 35.2% of the workforce are eligible for early or full retirement as of the end of July, 2012

Agency Wide Decision Packages

The following proposals have common decision packages in several programs across the agency.

PDC-25 Fixed Coast Item

The DOR budget request includes adjustments for training services purchased from the Professional Development Center (PDC) of the Department of Administration in each program. The requests reflect the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts and amount to an increase of \$18,192 for the 2015 biennium. 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.

Agency-Wide Request - Professional Development Center Training Fee								
Program	Decision Package	FY 2014 Adjustment			FY 2014 Adjustment			Biennium Total
		General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	
Directors Office	DP 6010	(\$5,137)		(\$5,137)	(\$5,137)		(\$5,137)	(\$10,274)
Information Mgt & Technology	DP 6010	1,811		1,811	1,811		1,811	3,622
Liquor Control	DP 6010		470	470		470	470	940
Citizen Services & Resource Mgt.	DP 6010	1,056	120	1,176	1,056	120	1,176	2,352
Business and Income Taxes	DP 6010	3,111		3,111	3,111		3,111	6,222
Property Assessment Division	DP 6010	<u>7,665</u>		<u>7,665</u>	<u>7,665</u>		<u>7,665</u>	15,330
Total		<u>\$8,506</u>	<u>\$590</u>	<u>\$9,096</u>	<u>\$8,506</u>	<u>\$590</u>	<u>\$9,096</u>	<u>\$18,192</u>

New FTE

The executive budget also increases the DOR personal services and operating expenses with decision packages that add 8.00 FTE requested in present law and 12.00 FTE requested as new proposals in five of the six DOR programs. The requests are detailed in the figure below.

DOR FTE Requests Present Law and New Proposals							
2015 Biennium							
Program	Decision Package #	Present Law FTE	Present Law Cost	New Proposal FTE	New Proposal Cost	Total FTE	Total Cost
Directors Office	DP 101	1.00	\$222,851	0.00	\$0	1.00	\$222,851
Information Mgt & Technology	DP 203 (NP)	0.00	0	5.00	612,603	5.00	612,603
Liquor Control	DP 301	2.00	223,338	0.00	0	2.00	223,338
Citizen Services & Resource Mgt.	-	0.00	0	0.00	0	0.00	0
Business and Income Taxes	DP 701/702	5.00	590,106	0.00	0	5.00	590,106
Property Assessment Division	DP 802 (NP)	<u>0.00</u>	<u>0</u>	<u>7.00</u>	<u>1,602,924</u>	<u>7.00</u>	<u>1,602,924</u>
Total Personal Services Adjustment		8.00	1,036,295	12.00	2,215,527	20.00	3,251,822
Vacancy Savings			<u>(38,651)</u>		<u>(49,317)</u>		<u>(87,968)</u>
Total Proposed New Cost			<u>\$997,644</u>		<u>\$2,166,210</u>		<u>\$3,163,854</u>

The position requests in the figure above include several categories. First, 3.00 FTE are requested to continue current services due to workload increases (DP 101 and DP 301). Another 5.00 FTE would replace current modified or one-time-only employees with permanent FTE (DP 701 and DP 702). In the Property Assessment Division, 7.00 one-time-only FTE are requested for the upcoming appraisal cycle (DP 802) and 5.00 FTE are requested for the expansion of E-services (DP 203). More details of the various proposals are presented in the program narratives.

LFD COMMENT	<p>Personal services are a primary cost driver in the DOR. In the 2013 biennium, personal service costs were 70.5% of the budget. Over the past decade, DOR has increased its focus on tax compliance activities, which has increased the need for personnel skilled in auditing and tax analysis. As stated, in the 2015 biennium DOR is requesting 20.00 additional FTE.</p> <p>The requests for FTE would increase personal services by \$3.2 million (after vacancy savings) and represent a personal service increase of over 4.0%. The total cost of the proposals including operating expenses is \$3.8 million and would be a total budget increase of over 3.7% of the total 2013 biennial budget. The details of the various proposals are presented in the program narratives.</p>
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5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix. The total reduction for this agency would be \$2,376,240 general fund and \$50,779 state special revenue funds over the biennium.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- o New
- o Emerging
- o Mature
- o Declining
- o Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- o Current plans to address obsolescence
- o Costs to replace the system

- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

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

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$101,420,682	\$0	\$234,511,665	\$335,932,347	58.3%
State Special Total	2,322,205	-	231,264,506	233,586,711	40.5%
Federal Special Total	504,090	-	-	504,090	0.1%
Proprietary Total	5,711,151	368,940	-	6,080,091	1.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$109,958,128</u>	<u>\$368,940</u>	<u>\$465,776,171</u>	<u>\$576,103,239</u>	
Percent - Total All Sources	19.1%	0.1%	80.8%		

The department is primarily funded with general fund, which is 58.3% of total funds in the 2015 biennium. Proprietary funds are 1.1% of total funds and 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, 40.5% of total funds, supports:

- Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- Appraisal, assessment, and taxation processes
- Administration of the unclaimed property program
- Administrative costs associated with billing and collecting hail insurance premiums and livestock per capita fees
- Distributions to local governments, state agencies, and others

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, 0.1% of total funds, supports federal mineral royalty audits.

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	47,663,801	47,663,801	95,327,602	93.99%	51,590,746	51,590,746	103,181,492	93.84%
Statewide PL Adjustments	1,005,558	823,183	1,828,741	1.80%	1,034,660	847,754	1,882,414	1.71%
Other PL Adjustments	641,173	689,430	1,330,603	1.31%	970,982	988,564	1,959,546	1.78%
New Proposals	1,508,218	1,425,518	2,933,736	2.89%	1,508,688	1,425,988	2,934,676	2.67%
Total Budget	\$50,818,750	\$50,601,932	\$101,420,682		\$55,105,076	\$54,853,052	\$109,958,128	

Language and Statutory Authority

The Liquor Control Division requests the following language be included in HB 2.

"Upon a termination that requires a payout of accrued leave balances, Liquor Control Division proprietary funds are appropriated from the enterprise fund (06005) to the department in the amount equal to the payout, not to exceed \$60,000 for the 2015 biennium."

"The Department of Revenue, Liquor Control Division is appropriated \$130,000 in proprietary funds for the 2015 biennium to meet the required statutory service levels for liquor."

"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 (06005) to the department in the amounts not to exceed \$124 million in fiscal year 2014 and \$130 million in fiscal year 2015."