

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	645.53	645.53	666.83	666.83	645.53	666.83	21.30	3.30%
Personal Services	31,541,481	34,079,740	35,949,122	36,291,495	65,621,221	72,240,617	6,619,396	10.09%
Operating Expenses	18,434,552	18,119,477	18,678,146	18,463,700	36,554,029	37,141,846	587,817	1.61%
Equipment & Intangible Assets	220,095	181,863	220,095	220,095	401,958	440,190	38,232	9.51%
Local Assistance	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	972	0	0	972	0	(972)	(100.00%)
Total Costs	\$50,196,128	\$52,382,052	\$54,847,363	\$54,975,290	\$102,578,180	\$109,822,653	\$7,244,473	7.06%
General Fund	46,999,289	48,766,397	50,992,092	51,111,205	95,765,686	102,103,297	6,337,611	6.62%
State Special	823,595	882,192	1,106,069	1,097,520	1,705,787	2,203,589	497,802	29.18%
Federal Special	194,192	424,881	206,318	206,447	619,073	412,765	(206,308)	(33.33%)
Other	2,179,052	2,308,582	2,542,884	2,560,118	4,487,634	5,103,002	615,368	13.71%
Total Funds	\$50,196,128	\$52,382,052	\$54,847,363	\$54,975,290	\$102,578,180	\$109,822,653	\$7,244,473	7.06%

Agency Description

Agency Mission: The Department of Revenue implements Montana's tax laws to achieve equity and integrity, while protecting taxpayer rights and information; values all property as accurately as possible and supervises Montana's property tax system; administers liquor laws to protect public health and safety; 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 collects revenue from and enforces regulations for 38 state taxes and fees; values all property in the state and supervises the property tax system; regulates the sale and distribution of alcoholic beverages in the state; and administers abandoned property laws and a one-stop business registration system for multiple agencies.

Agency Highlights

Department of Revenue HB 2 Budget Highlights	
◆	The combined HB 2 and HB 13 legislative budget for the department increases by \$7.2 million or 7.1 percent from the 2009 biennium to the 2011 biennium, due primarily to: <ul style="list-style-type: none"> • Personal services in the statewide present law adjustment, which accounts for the largest share of the increase (\$7.7 million) • Other statewide present law adjustments for fixed costs and inflation (\$1.7 million) • An unspecified reduction of \$2.0 million general fund, which offsets a portion of the growth • One time funding of \$1.6 million to implement HB 658, which mitigates the impacts of the recent property tax reappraisal • HB 13, the pay plan increase for the 2011 biennium, adds \$1.1 million, of which \$0.9 million is ongoing • Continuation of tobacco tax compliance efforts started in the 2009 biennium, which adds \$0.4 million but no FTE

<ul style="list-style-type: none"> • Addressing workload impacts associated with returning abandoned property to its owner, which adds \$0.2 million but no FTE ◆ Department staff increase by 21.30 FTE for the 2011 biennium due to: <ul style="list-style-type: none"> • The addition of 12.00 FTE to continue tax compliance activities funded by the 2007 Legislature without FTE (no funding impact) • The addition of 9.30 FTE only for the 2011 biennium to implement HB 658
HB 645 Budget Highlights
<ul style="list-style-type: none"> ◆ This department has no funding from HB 645

Summary of Legislative Action

The legislative budget for total funds is \$7.2 million more than the 2009 biennium and includes funding for HB 2 and HB 13. HB 13 funds the pay plan increases for the 2011 biennium and accounts for \$1.1 million of the total fund increase. Of the HB 13 increase, \$872,125 is ongoing.

The legislative budget includes:

- One time funding to implement HB 658, a bill that mitigates the impacts of the recent property tax reappraisal
- A \$2.0 million unspecified reduction of general fund that may be allocated across the agency
- Funding for annual maintenance agreements and processing fees for agency management systems
- Funding to set up a segregated environment in the state data center for agency data systems
- Funding, without FTE, to address workload impacts in the abandoned property program
- Reallocation of base funding from operating expenses to personal services to add 12.00 FTE to address identified compliance issues
- Funding, without FTE, to continue the tobacco tax compliance program that began in the 2009 biennium

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Directors Office	\$ 9,483,732	\$ 215,501	\$ 1,000	\$ 179,044	\$ 9,879,277	9.00%
02 Information Technology & Processing	26,187,925	263,457	-	152,394	26,603,776	24.22%
03 Liquor Control Division	-	-	-	4,669,771	4,669,771	4.25%
05 Citizen Services & Resource Mgmt	4,039,078	298,084	-	101,793	4,438,955	4.04%
07 Business And Income Taxes Division	20,091,188	1,297,582	411,765	-	21,800,535	19.85%
08 Property Assessment Division	42,301,374	128,965	-	-	42,430,339	38.64%
Grand Total	<u>\$ 102,103,297</u>	<u>\$ 2,203,589</u>	<u>\$ 412,765</u>	<u>\$ 5,103,002</u>	<u>\$ 109,822,653</u>	<u>100.00%</u>

The department is primarily funded with general fund. 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 funds coordination of one stop business licensing activities and collection of water adjudication fees. State special revenue is also from the property valuation improvement fund and is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. Federal special revenue supports 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	46,999,289	46,999,289	93,998,578	92.06%	50,196,128	50,196,128	100,392,256	91.41%
Statewide PL Adjustments	4,429,485	4,328,589	8,758,074	8.58%	4,748,860	4,655,430	9,404,290	8.56%
Other PL Adjustments	325,140	410,653	735,793	0.72%	415,140	500,653	915,793	0.83%
New Proposals	(761,822)	(627,326)	(1,389,148)	(1.36%)	(512,765)	(376,921)	(889,686)	(0.81%)
Total Budget	\$50,992,092	\$51,111,205	\$102,103,297		\$54,847,363	\$54,975,290	\$109,822,653	

Other Legislation

SB 465 - This bill clarifies ownership of streambeds concerning property taxation. The legislature did not fund the estimated \$13,970 in printing and mailing costs that were identified on the fiscal note for the bill.

HB 5 - This bill appropriates funds for the Long-range Building Program. A project included in the bill is for renovation and energy improvements of the state liquor warehouse. Among the \$2.2 million funding for the projects is \$1.75 million liquor proprietary funds.

HB 10 - This bill appropriates funds for long-range information technology projects. A nearly \$3.4 million project to provide efficiencies in the department through enhance electronic imaging was funded in this bill.

HB 656 - This bill revised laws for determining sales commissions paid to liquor store operators by taking inflation into account when making the determination. The legislature did not fund the estimated \$62,600 biennium increase in commissions identified on the fiscal note for the bill.

HB 658 - This bill mitigates the impacts of the recent property reappraisal and phases in property tax and changes to property tax rates for certain property. The legislature funded the nearly \$1.6 million biennium costs for the bill and the 9.30 FTE with a one-time-only appropriation in DP 8025 that is further described in the narrative for the Property Assessment Division.

HB 670 - This bill provides local governments and school districts discretion in reducing tax value for certain commercial and industrial property. The legislature did not fund the estimated \$14,850 cost to modify the department's property tax computer system (ORION).

Executive Budget Comparison

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg - Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg - Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	645.53	660.53	666.83	6.30	662.53	666.83	4.30	
Personal Services	31,541,481	36,002,495	35,949,122	(53,373)	36,242,942	36,291,495	48,553	(4,820)
Operating Expenses	18,434,552	19,843,867	18,678,146	(1,165,721)	19,571,313	18,463,700	(1,107,613)	(2,273,334)
Equipment & Intangible Assets	220,095	220,095	220,095	0	220,095	220,095	0	0
Local Assistance	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$50,196,128	\$56,066,457	\$54,847,363	(\$1,219,094)	\$56,034,350	\$54,975,290	(\$1,059,060)	(\$2,278,154)
General Fund	46,999,289	52,371,412	50,992,092	(1,379,320)	52,331,809	51,111,205	(1,220,604)	(2,599,924)
State/Other Special	823,595	999,460	1,106,069	106,609	999,908	1,097,520	97,612	204,221
Federal Special	194,192	209,295	206,318	(2,977)	208,466	206,447	(2,019)	(4,996)
Proprietary	2,179,052	2,486,290	2,542,884	56,594	2,494,167	2,560,118	65,951	122,545
Total Funds	\$50,196,128	\$56,066,457	\$54,847,363	(\$1,219,094)	\$56,034,350	\$54,975,290	(\$1,059,060)	(\$2,278,154)

The legislative budget is \$2.3 million in total funds lower than the executive budget with the decrease primarily in general fund. Staffing in the legislative budget is 4.30 FTE higher than in the executive budget at the end of the 2011 biennium. The most significant revisions from the executive budget are summarized below:

- An unspecified reduction of \$2.0 million general fund was approved along with accompanying language that allows the department flexibility in allocating the reduction when it establishes its operating plan for the 2011 biennium
- Funding to add 2.00 FTE to address workload impacts for property assessment staff that are resulting from a growing number of property parcels was not approved, resulting in a biennium reduction of \$378,900 general fund
- Funding for two executive requested language appropriations in the Liquor Control Division were approved as HB 2 appropriations instead of language appropriations, so the legislative budget appears to be higher by \$180,000 when instead the only change was the form of the appropriation
- Funding for executive requests to add 5.00 FTE was approved, but without the FTE
- One time funding of \$1.6 million to implement HB 658, a bill that mitigates the impacts of the recent property tax reappraisal, was approved and included funding for 9.30 FTE
- The legislature appropriation includes funding for HB 13 of \$1.1 million

Language and Statutory Authority

The legislature included the following language for the agency in HB 2:

"Director's Office includes unspecified reductions in general fund money of \$1,252,852 in fiscal year 2010 and \$1,252,852 in fiscal year 2011. The agency may allocate these reductions in funding among programs when developing 2011 biennium operating plans.

The agency may allocate Restoration of Unspecified Reduction among programs when developing 2011 biennium operating plans."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	48.98	48.98	48.98	48.98	48.98	48.98	0.00	0.00%
Personal Services	3,201,839	3,384,705	3,571,267	3,661,154	6,586,544	7,232,421	645,877	9.81%
Operating Expenses	2,279,318	1,738,046	1,430,309	1,216,547	4,017,364	2,646,856	(1,370,508)	(34.11%)
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Local Assistance	0	0	0	0	0	0	0	n/a
Total Costs	\$5,481,157	\$5,122,751	\$5,001,576	\$4,877,701	\$10,603,908	\$9,879,277	(\$724,631)	(6.83%)
General Fund	5,310,557	4,896,161	4,803,814	4,679,918	10,206,718	9,483,732	(722,986)	(7.08%)
State Special	84,281	81,486	107,506	107,995	165,767	215,501	49,734	30.00%
Federal Special	600	0	1,000	0	600	1,000	400	66.67%
Other	85,719	145,104	89,256	89,788	230,823	179,044	(51,779)	(22.43%)
Total Funds	\$5,481,157	\$5,122,751	\$5,001,576	\$4,877,701	\$10,603,908	\$9,879,277	(\$724,631)	(6.83%)

Program Description

The Director's Office supports the agency's director and provides the following functions:

- General management of the agency, including assisting the director with administrative functions and communications to the public, agencies, and elected officials, and includes the Office of Taxpayer Assistance
- Legal service support for the Office of Dispute Resolution and the overall legal efforts of the department, includes legal representation before various courts, legislative development and review, filing bankruptcy claims, and developing policy and administrative rules
- Tax policy, research, and analysis of state revenue legislation and legislative proposals affecting the department, preparation of fiscal notes that affect revenue, and analysis of department, economic, and compliance data
- Human resources, payroll, benefits, education, organizational development, and training of the department

Program Highlights

Director's Office HB 2 Program Highlights
<ul style="list-style-type: none"> ◆ An unspecified reduction of \$2.0 million general fund for the agency was applied to the office with authority to allocate the reduction to other programs when developing operating plans for the 2011 biennium ◆ Absent the agency unspecified reduction, the total fund budget for the office grows by \$1.3 million or 12.1 percent from the 2009 biennium to the 2011 biennium, due primarily to: <ul style="list-style-type: none"> • Statewide present law adjustments, which account for the bulk of the budget increases • Funding for HB 13, which adds \$74,000 with \$65,800 ongoing • Funding for overtime and other costs associated with 2011 Legislature support activities adds nearly \$67,600

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
01000 Total General Fund	\$ 5,310,557	96.9%	\$ 4,803,814	96.0%	\$ 4,679,918	95.9%
01100 General Fund	5,310,557	96.9%	4,803,814	96.0%	4,679,918	95.9%
02000 Total State Special Funds	84,281	1.5%	107,506	2.1%	107,995	2.2%
02790 6901-Statewide Tobacco Sttlmnt	84,281	1.5%	107,506	2.1%	107,995	2.2%
03000 Total Federal Special Funds	600	0.0%	1,000	0.0%	-	-
03928 Royalty Audit - Nrct	600	0.0%	1,000	0.0%	-	-
06000 Total Proprietary Funds	85,719	1.6%	89,256	1.8%	89,788	1.8%
06005 Liquor Division	85,719	1.6%	89,256	1.8%	89,788	1.8%
Grand Total	\$ 5,481,157	100.0%	\$ 5,001,576	100.0%	\$ 4,877,701	100.0%

Funding for the program comes primarily from the general fund. State special revenue funds the office support for one-stop and new hire administration activities. Federal special revenue funds the office support of mineral royalty audits. 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 based on FTE counts. 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.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	5,310,557	5,310,557	10,621,114	111.99%	5,481,157	5,481,157	10,962,314	110.96%
Statewide PL Adjustments	575,559	372,469	948,028	10.00%	605,612	401,758	1,007,370	10.20%
Other PL Adjustments	6,000	61,587	67,587	0.71%	6,000	61,587	67,587	0.68%
New Proposals	(1,088,302)	(1,064,695)	(2,152,997)	(22.70%)	(1,091,193)	(1,066,801)	(2,157,994)	(21.84%)
Total Budget	\$4,803,814	\$4,679,918	\$9,483,732		\$5,001,576	\$4,877,701	\$9,879,277	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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.

	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					611,874					621,981
Vacancy Savings					(152,548)					(152,954)
Inflation/Deflation					9,127					14,365
Fixed Costs					137,159					(81,634)
Total Statewide Present Law Adjustments		\$575,559	\$24,795	\$400	\$605,612*		\$372,469	\$24,876	(\$600)	\$401,758*
DP 10001 - Present Law Base Adjustments - Director's Office	0.00	6,000	0	0	6,000	0.00	61,587	0	0	61,587
Total Other Present Law Adjustments	0.00	\$6,000	\$0	\$0	\$6,000	0.00	\$61,587	\$0	\$0	\$61,587
Grand Total All Present Law Adjustments	0.00	\$581,559	\$24,795	\$400	\$611,612*	0.00	\$434,056	\$24,876	(\$600)	\$463,345*

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

DP 10001 - Present Law Base Adjustments - Director's Office - A biennium increase of \$67,587 general fund is for Tax Policy and Research Office overtime to prepare fiscal notes for the 2011 Legislature. In addition to overtime, portions of the increase are for software license agreements and website services.

New Proposals

New Proposals	-----Fiscal 2010-----					-----Fiscal 2011-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13											
01	0.00	15,810	306	0	16,371*	0.00	47,787	867	0	49,419*	
DP 6014 - Pay Plan Lump Sum Payment OTO											
01	0.00	7,872	144	0	8,144*	0.00	0	0	0	0	
DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation											
01	0.00	1,525	32	0	1,557	0.00	1,322	28	0	1,350	
DP 8101 - Increasing 4% Vacancy Savings to 7%											
01	0.00	(110,657)	(2,052)	0	(114,413)*	0.00	(110,952)	(2,057)	0	(114,718)*	
DP 10020 - Unspecified Agency Reduction											
01	0.00	(1,002,852)	0	0	(1,002,852)	0.00	(1,002,852)	0	0	(1,002,852)	
Total	0.00	(\$1,088,302)	(\$1,570)	\$0	(\$1,091,193)*	0.00	(\$1,064,695)	(\$1,162)	\$0	(\$1,066,801)*	

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

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

DP 10020 - Unspecified Agency Reduction - A biennium reduction that nets to \$2.0 million general fund was approved. The reduction is comprised of two separate actions by the legislature: 1) an ongoing reduction of \$2.5 million that carries when developing the base for the 2013 biennium; and 2) a subsequent one time restoration of \$500,000 only for the 2011 biennium. The legislature approved language that allows the agency to reallocate both components of the reduction among the programs when it develops the operating plan for the biennium. For the \$500,000 restored funding, the legislature designated the appropriation as one time only.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	87.25	87.25	87.25	87.25	87.25	87.25	0.00	0.00%
Personal Services	3,622,302	4,318,766	4,347,757	4,384,845	7,941,068	8,732,602	791,534	9.97%
Operating Expenses	8,325,544	7,795,420	8,746,597	8,762,077	16,120,964	17,508,674	1,387,710	8.61%
Equipment & Intangible Assets	181,250	37,702	181,250	181,250	218,952	362,500	143,548	65.56%
Total Costs	\$12,129,096	\$12,151,888	\$13,275,604	\$13,328,172	\$24,280,984	\$26,603,776	\$2,322,792	9.57%
General Fund	11,897,699	11,713,958	13,067,984	13,119,941	23,611,657	26,187,925	2,576,268	10.91%
State Special	161,522	231,295	131,575	131,882	392,817	263,457	(129,360)	(32.93%)
Federal Special	0	132,000	0	0	132,000	0	(132,000)	(100.00%)
Other	69,875	74,635	76,045	76,349	144,510	152,394	7,884	5.46%
Total Funds	\$12,129,096	\$12,151,888	\$13,275,604	\$13,328,172	\$24,280,984	\$26,603,776	\$2,322,792	9.57%

Program Description

The Information Technology and Processing Division provides technology support for the department and processes all tax returns, payments and other documents received, whether in paper or electronic form. Technology support includes both application development and support services, such as network services and data, desktop, and information security. The division operates a help desk and a mailroom, processes tax returns and payments, maintains taxpayer accounts, and manages department records.

Program Highlights

Information Technology and Processing Division HB 2 Budget Highlights	
◆	The legislative budget for the division increases by \$2.3 million or 9.6 percent from the 2009 biennium to the 2011 biennium, due primarily to: <ul style="list-style-type: none"> • Statewide present law adjustments, which account for the bulk of the budget increases • Funding for HB 13, which adds \$142,000 with \$112,100 ongoing • Funding that adds \$296,000 mainly to: 1) segregate a portion of the new state data center to house confidential tax information; and 2) address increases in maintenance agreements and processing fees for agency computer systems

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table							
Information Technology & Processing							
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011	
01000 Total General Fund	\$ 11,897,699	98.1%	\$ 13,067,984	98.4%	\$ 13,119,941	98.4%	
01100 General Fund	11,897,699	98.1%	13,067,984	98.4%	13,119,941	98.4%	
02000 Total State Special Funds	161,522	1.3%	131,575	1.0%	131,882	1.0%	
02088 One-Stop And New Hire Admin.	132,400	1.1%	131,575	1.0%	131,882	1.0%	
02110 Accommodation Tax Admin	29,122	0.2%	-	-	-	-	
06000 Total Proprietary Funds	69,875	0.6%	76,045	0.6%	76,349	0.6%	
06005 Liquor Division	69,875	0.6%	76,045	0.6%	76,349	0.6%	
Grand Total	\$ 12,129,096	100.0%	\$ 13,275,604	100.0%	\$ 13,328,172	100.0%	

The Information Technology and Processing Division is primarily funded with general fund. State special revenue funds the division’s support for coordination of one-stop business licensing activities, in which a business is able to obtain or renew most, if not all, of the licenses, fees and permits required by state government from one centralized location. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Control Division share of division support costs. The allocation is based on FTE counts. 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.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	11,897,699	11,897,699	23,795,398	90.86%	12,129,096	12,129,096	24,258,192	91.18%
Statewide PL Adjustments	1,100,364	1,123,664	2,224,028	8.49%	1,077,860	1,101,295	2,179,155	8.19%
Other PL Adjustments	146,510	149,806	296,316	1.13%	146,510	149,806	296,316	1.11%
New Proposals	(76,589)	(51,228)	(127,817)	(0.49%)	(77,862)	(52,025)	(129,887)	(0.49%)
Total Budget	\$13,067,984	\$13,119,941	\$26,187,925		\$13,275,604	\$13,328,172	\$26,603,776	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					990,603					1,001,944
Vacancy Savings					(184,513)					(184,972)
Inflation/Deflation					16,111					16,281
Fixed Costs					255,659					268,042
Total Statewide Present Law Adjustments		\$1,100,364	(\$29,123)	\$0	\$1,077,860*		\$1,123,664	(\$29,123)	\$0	\$1,101,295*
DP 20001 - Present Law Base Adjustment - Info Tech & Proc	0.00	146,510	0	0	146,510	0.00	149,806	0	0	149,806
Total Other Present Law Adjustments	0.00	\$146,510	\$0	\$0	\$146,510	0.00	\$149,806	\$0	\$0	\$149,806
Grand Total All Present Law Adjustments	0.00	\$1,246,874	(\$29,123)	\$0	\$1,224,370*	0.00	\$1,273,470	(\$29,123)	\$0	\$1,251,101*

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

DP 20001 - Present Law Base Adjustment - Info Tech & Proc - A biennium increase of \$296,316 general fund is for increases for post office box rental, annual maintenance agreements, and payment processing fees. Funding is also to set up a segregated environment in the state data center to improve security of the department's federal tax information and other state tax data per Internal Revenue Service guidelines and replace two agency owned vehicles with vehicles leased from the State Motor Pool.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13										
02	0.00	27,408	262	0	27,843*	0.00	82,912	868	0	84,301*
DP 6014 - Pay Plan Lump Sum Payment OTO										
02	0.00	29,436	296	0	29,908*	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation										
02	0.00	2,773	0	0	2,773	0.00	2,404	0	0	2,404
DP 8101 - Increasing 4% Vacancy Savings to 7%										
02	0.00	(136,206)	(1,382)	0	(138,386)*	0.00	(136,544)	(1,385)	0	(138,730)*
Total	0.00	(\$76,589)	(\$824)	\$0	(\$77,862)*	0.00	(\$51,228)	(\$517)	\$0	(\$52,025)*

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

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	29.00	29.00	29.00	29.00	29.00	29.00	0.00	0.00%
Personal Services	1,377,931	1,451,743	1,729,800	1,744,659	2,829,674	3,474,459	644,785	22.79%
Operating Expenses	569,163	533,569	566,849	568,213	1,102,732	1,135,062	32,330	2.93%
Equipment & Intangible Assets	30,125	54,723	30,125	30,125	84,848	60,250	(24,598)	(28.99%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$1,977,219	\$2,040,035	\$2,326,774	\$2,342,997	\$4,017,254	\$4,669,771	\$652,517	16.24%
Other	1,977,219	2,040,035	2,326,774	2,342,997	4,017,254	4,669,771	652,517	16.24%
Total Funds	\$1,977,219	\$2,040,035	\$2,326,774	\$2,342,997	\$4,017,254	\$4,669,771	\$652,517	16.24%

Program Description

The Liquor Control Division administers the alcoholic beverage code. The division oversees warehousing, inventory, and shipping of distilled spirits and fortified wines and the state agency liquor stores. The division also oversees licensing of on-premise and off-premise businesses, manufacturers, wholesalers, warehouses, importers, and liquor representatives.

Program Highlights

Liquor Control Division HB 2 Budget Highlights	
◆	The legislative budget for the Liquor Control Division increases by \$653,000 or 16.2 percent from the 2009 biennium to the 2011 biennium, due primarily to: <ul style="list-style-type: none"> • Statewide present law adjustments, which account for nearly all of the budget increases • Approval of routine adjustments for overtime or temporary staff to address demand increases and retirement costs, which were previously approved as language appropriations, which adds \$180,000 • Funding for HB 13, which adds \$51,300 with \$39,700 ongoing

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Liquor Control Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
06000 Total Proprietary Funds	\$ 1,977,219	100.0%	\$ 2,326,774	100.0%	\$ 2,342,997	100.0%
06005 Liquor Division	<u>1,977,219</u>	<u>100.0%</u>	<u>2,326,774</u>	<u>100.0%</u>	<u>2,342,997</u>	<u>100.0%</u>
Grand Total	<u>\$ 1,977,219</u>	<u>100.0%</u>	<u>\$ 2,326,774</u>	<u>100.0%</u>	<u>\$ 2,342,997</u>	<u>100.0%</u>

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.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	1,977,219	1,977,219	3,954,438	84.68%
Statewide PL Adjustments	0	0	0	0.00%	289,617	297,357	586,974	12.57%
Other PL Adjustments	0	0	0	0.00%	90,000	90,000	180,000	3.85%
New Proposals	0	0	0	0.00%	(30,062)	(21,579)	(51,641)	(1.11%)
Total Budget	\$0	\$0	\$0		\$2,326,774	\$2,342,997	\$4,669,771	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					362,470					368,983
Vacancy Savings					(69,617)					(69,877)
Inflation/Deflation					5,907					6,517
Fixed Costs					(9,143)					(8,266)
Total Statewide Present Law Adjustments		\$0	\$0	\$0	\$289,617*		\$0	\$0	\$0	\$297,357*
DP 301 - Overtime and Temporary Staff to Meet Demand	0.00	0	0	0	50,000*	0.00	0	0	0	50,000*
DP 302 - Termination Payouts	0.00	0	0	0	40,000*	0.00	0	0	0	40,000*
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$90,000*	0.00	\$0	\$0	\$0	\$90,000*
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$379,617*	0.00	\$0	\$0	\$0	\$387,357*

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

DP 301 - Overtime and Temporary Staff to Meet Demand - The legislature approved \$50,000 liquor enterprise funds per year to hire additional temporary employees or pay overtime in the event that demand increases and to maintain statutory services levels to agency liquor stores. The legislature restricted the funding only for this purpose.

DP 302 - Termination Payouts - The legislature approved \$40,000 liquor enterprise funds per year to fund payouts of accrued leave balances in the event of staff terminations. The legislature restricted the funding only for this purpose.

New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13										
03	0.00	0	0	0	9,660*	0.00	0	0	0	30,030*
DP 6014 - Pay Plan Lump Sum Payment OTO										
03	0.00	0	0	0	11,569*	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation										
03	0.00	0	0	0	922*	0.00	0	0	0	799*
DP 8101 - Increasing 4% Vacancy Savings to 7%										
03	0.00	0	0	0	(52,213)*	0.00	0	0	0	(52,408)*
Total	0.00	\$0	\$0	\$0	(\$30,062)*	0.00	\$0	\$0	\$0	(\$21,579)*

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

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

Language and Statutory Authority

The legislature included the following language for the division 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 (06005) to the department in the amounts not to exceed \$129,000,000 in FY 2010 and \$141,000,000 in FY 2011."

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	28.00	28.00	28.00	28.00	28.00	28.00	0.00	0.00%
Personal Services	1,304,724	1,403,398	1,489,868	1,500,960	2,708,122	2,990,828	282,706	10.44%
Operating Expenses	708,819	739,254	724,706	723,421	1,448,073	1,448,127	54	0.00%
Equipment & Intangible Assets	0	80,716	0	0	80,716	0	(80,716)	(100.00%)
Total Costs	\$2,013,543	\$2,223,368	\$2,214,574	\$2,224,381	\$4,236,911	\$4,438,955	\$202,044	4.77%
General Fund	1,859,004	2,062,555	2,014,949	2,024,129	3,921,559	4,039,078	117,519	3.00%
State Special	108,300	112,005	148,816	149,268	220,305	298,084	77,779	35.31%
Other	46,239	48,808	50,809	50,984	95,047	101,793	6,746	7.10%
Total Funds	\$2,013,543	\$2,223,368	\$2,214,574	\$2,224,381	\$4,236,911	\$4,438,955	\$202,044	4.77%

Program Description

The Citizens Services and Resource Management Division provides agency accounting, purchasing, and statewide facilities safety and security functions. The division also provides customer service and support services to the other divisions of the department including operations of the call center, forms design, one-stop business licensing coordination, and abandoned property distribution.

Program Highlights

Citizen Services and Resource Management Division HB 2 Budget Highlights	
◆	The legislative budget for the Citizens Services and Resource Management Division increases by \$202,000 or 4.8 percent from the 2009 biennium to the 2011 biennium, due primarily to: <ul style="list-style-type: none"> Statewide present law adjustments, which account for nearly all of the budget increases Funding for HB 13, which adds \$47,300 with \$36,100 ongoing

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Citizen Services & Resource Mgmt							
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011	
01000 Total General Fund	\$ 1,859,004	92.3%	\$ 2,014,949	91.0%	\$ 2,024,129	91.0%	
01100 General Fund	1,859,004	92.3%	2,014,949	91.0%	2,024,129	91.0%	
02000 Total State Special Funds	108,300	5.4%	148,816	6.7%	149,268	6.7%	
02025 Unclaimed Property	61,500	3.1%	114,816	5.2%	115,268	5.2%	
02088 One-Stop And New Hire Admin.	46,800	2.3%	34,000	1.5%	34,000	1.5%	
06000 Total Proprietary Funds	46,239	2.3%	50,809	2.3%	50,984	2.3%	
06005 Liquor Division	46,239	2.3%	50,809	2.3%	50,984	2.3%	
Grand Total	\$ 2,013,543	100.0%	\$ 2,214,574	100.0%	\$ 2,224,381	100.0%	

The Citizens Services and Resource Management Division is funded primarily by the general fund, with a small amount of state special revenue and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Division share of Resource Management Program support costs. The allocation is based on FTE counts. 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. The state special revenue funding comes from unclaimed property proceeds and from one-stop and new hire funds for services in support of new hire administration.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	1,859,004	1,859,004	3,718,008	92.05%	2,013,543	2,013,543	4,027,086	90.72%
Statewide PL Adjustments	180,265	183,247	363,512	9.00%	227,422	230,446	457,868	10.31%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(24,320)	(18,122)	(42,442)	(1.05%)	(26,391)	(19,608)	(45,999)	(1.04%)
Total Budget	\$2,014,949	\$2,024,129	\$4,039,078		\$2,214,574	\$2,224,381	\$4,438,955	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					275,635					280,005
Vacancy Savings					(63,210)					(63,389)
Inflation/Deflation					252					322
Fixed Costs					14,745					13,508
Total Statewide Present Law Adjustments		\$180,265	\$41,935	\$0	\$227,422*		\$183,247	\$42,007	\$0	\$230,446*
Grand Total All Present Law Adjustments	0.00	\$180,265	\$41,935	\$0	\$227,422*	0.00	\$183,247	\$42,007	\$0	\$230,446*

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

New Proposals

New Proposals	Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13	05	0.00	8,288	448	0	8,932*	0.00	25,088	1,428	0	27,160*
DP 6014 - Pay Plan Lump Sum Payment OTO	05	0.00	10,362	594	0	11,198*	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation	05	0.00	890	0	0	890	0.00	772	0	0	772
DP 8101 - Increasing 4% Vacancy Savings to 7%	05	0.00	(43,860)	(2,461)	0	(47,411)*	0.00	(43,982)	(2,467)	0	(47,540)*
Total		0.00	(\$24,320)	(\$1,419)	\$0	(\$26,391)*	0.00	(\$18,122)	(\$1,039)	\$0	(\$19,608)*

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

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

Program Budget Comparison

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

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	145.95	145.95	157.95	157.95	145.95	157.95	12.00	8.22%
Personal Services	7,522,645	8,600,620	8,913,674	8,986,314	16,123,265	17,899,988	1,776,723	11.02%
Operating Expenses	2,179,437	2,862,973	1,955,704	1,944,843	5,042,410	3,900,547	(1,141,863)	(22.65%)
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Total Costs	\$9,702,082	\$11,463,593	\$10,869,378	\$10,931,157	\$21,165,675	\$21,800,535	\$634,860	3.00%
General Fund	9,103,747	10,763,306	10,010,383	10,080,805	19,867,053	20,091,188	224,135	1.13%
State Special	404,743	407,406	653,677	643,905	812,149	1,297,582	485,433	59.77%
Federal Special	193,592	292,881	205,318	206,447	486,473	411,765	(74,708)	(15.36%)
Total Funds	\$9,702,082	\$11,463,593	\$10,869,378	\$10,931,157	\$21,165,675	\$21,800,535	\$634,860	3.00%

Program Description

The Business and Income Taxes Division administers and collects 38 Montana taxes and fees including but not limited to corporation license, natural resource, withholding, individual income, lodging facilities, cigarette and tobacco products, contractor's gross receipts, and telecommunications taxes. The division values all industrial and centrally assessed property in the state. The division also operates the Collection Services Program, which is funded with proprietary funds.

Program Highlights

Business and Income Taxes Division HB 2 Budget Highlights
<ul style="list-style-type: none"> ◆ The legislative budget for the Business and Income Taxes Division increases by \$634,900 or 3.0 percent from the 2009 biennium to the 2011 biennium, due primarily to: <ul style="list-style-type: none"> • Statewide present law adjustments, which account for most of the budget increases • Approval of a shift in accounting categories that adds no additional funding but adds 12.00 FTE to continue tax compliance activities funded in the current biennium without FTE • Funding to continue the tobacco tax compliance program but without the addition of any FTE, which adds \$391,000 • Funding for HB 13, which adds \$264,600 with \$207,500 ongoing

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
01000 Total General Fund	\$ 9,103,747	93.8%	\$ 10,010,383	92.1%	\$ 10,080,805	92.2%
01100 General Fund	9,103,747	93.8%	10,010,383	92.1%	10,080,805	92.2%
02000 Total State Special Funds	404,743	4.2%	653,677	6.0%	643,905	5.9%
02025 Unclaimed Property	121,301	1.3%	318,242	2.9%	307,764	2.8%
02110 Accommodation Tax Admin	119,986	1.2%	131,878	1.2%	132,416	1.2%
02790 6901-Statewide Tobacco Sttlmnt	163,456	1.7%	203,557	1.9%	203,725	1.9%
03000 Total Federal Special Funds	193,592	2.0%	205,318	1.9%	206,447	1.9%
03928 Royalty Audit - Nrct	193,592	2.0%	205,318	1.9%	206,447	1.9%
Grand Total	\$ 9,702,082	100.0%	\$ 10,869,378	100.0%	\$ 10,931,157	100.0%

The Business and Income Taxes Division is primarily funded with general fund and with some state special revenue, federal special revenue, and proprietary funds. State special revenue comes from the accommodations tax and funds expenses for administering the tax. Federal special revenue comes from reimbursements for performing mineral royalty audits. The finances of the Collections Services Program are not shown in the HB 2 tables because they are funded with proprietary funds. The Collections Services Program is discussed in the Proprietary Rates Section that follows the HB 2 discussion.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	9,103,747	9,103,747	18,207,494	90.62%	9,702,082	9,702,082	19,404,164	89.01%
Statewide PL Adjustments	987,501	1,014,257	2,001,758	9.96%	962,807	989,901	1,952,708	8.96%
Other PL Adjustments	57,641	57,748	115,389	0.57%	57,641	57,748	115,389	0.53%
New Proposals	(138,506)	(94,947)	(233,453)	(1.16%)	146,848	181,426	328,274	1.51%
Total Budget	\$10,010,383	\$10,080,805	\$20,091,188		\$10,869,378	\$10,931,157	\$21,800,535	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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.

	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,124,550					1,151,249
Vacancy Savings					(345,887)					(346,956)
Inflation/Deflation					19,256					25,914
Fixed Costs					164,888					159,694
Total Statewide Present Law Adjustments		\$987,501	(\$39,302)	\$14,608	\$962,807		\$1,014,257	(\$39,147)	\$14,791	\$989,901
DP 70007 - Debt Collection - Child Support Cases	0.00	57,641	0	0	57,641	0.00	57,748	0	0	57,748
Total Other Present Law Adjustments	0.00	\$57,641	\$0	\$0	\$57,641	0.00	\$57,748	\$0	\$0	\$57,748
Grand Total All Present Law Adjustments	0.00	\$1,045,142	(\$39,302)	\$14,608	\$1,020,448	0.00	\$1,072,005	(\$39,147)	\$14,791	\$1,047,649

DP 70007 - Debt Collection - Child Support Cases - A biennium increase of \$115,400 general fund is to fund costs to collect bad debt associated with child support payments.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13										
07	0.00	48,944	1,610	966	51,520	0.00	147,959	4,991	3,059	156,009
DP 6014 - Pay Plan Lump Sum Payment OTO										
07	0.00	54,096	1,904	1,120	57,120	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation										
07	0.00	4,543	0	95	4,638	0.00	3,939	0	83	4,022
DP 7021 - Abandoned Property Program Workload Increase										
07	0.00	0	115,212	0	115,212	0.00	0	103,662	0	103,662
DP 8101 - Increasing 4% Vacancy Savings to 7%										
07	0.00	(246,089)	(8,272)	(5,063)	(259,424)	0.00	(246,845)	(8,295)	(5,078)	(260,218)
DP 70002 - Nonresident and Nonfiler Tax Compliance										
07	12.00	0	0	0	0	12.00	0	0	0	0
DP 70003 - Reduce Smoking through Tobacco Tax Compliance										
07	0.00	0	177,782	0	177,782	0.00	0	177,951	0	177,951
Total	12.00	(\$138,506)	\$288,236	(\$2,882)	\$146,848	12.00	(\$94,947)	\$278,309	(\$1,936)	\$181,426

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 7021 - Abandoned Property Program Workload Increase - A biennium increase of \$218,874 state special revenue funds costs to address workload impacts in the abandoned property program. Funding is designated as one time only.

DP 8101 - Increasing 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

DP 70002 - Nonresident and Nonfiler Tax Compliance - The legislature approved reallocating funding from operating expenses to personal services to add 12.00 FTE to address identified compliance issues in areas such as: 1) pass-through entities' partners and shareholders that have not filed or have underreported income; 2) nonresidents selling property in Montana who have not filed or paid the appropriate tax associated with the capital gain from the sale of Montana property; and 3) nonfilers or underreported income that have been identified through the cross-matching of department data with various external data sources.

The following information was utilized as part of the legislative decision making process and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The proposal is required so that the department can continue its highly successful efforts to improve compliance with Montana's tax laws. This request is for FTE only; no funding is requested. The FTE are needed to address identified compliance issues in such area as pass-through entities' partners and shareholders that have not filed or have underreported income (primarily non-residents), nonresidents selling property in Montana who have not filed or paid the appropriate tax associated with sale of Montana property, and identifying nonfilers or underreported income that have been identified through the cross-matching of department data with various data sources. In addition, other compliance issues will be addressed as they are found. In the recent past, these efforts have been yielding a significant rate of return for the citizens of Montana who already pay the taxes they owe.

Goal: The goal of the proposal is to increase the rate of compliance with Montana's tax laws.

Performance Criteria: To truly establish performance measures to determine if the department's activities in these areas are improving tax compliance the department would be required to conduct a Montana specific tax gap study. A tax gap study would set the benchmark that would be used to determine if rates of compliance were improving. The department has requested funding in the past to complete a tax gap study. These requests have not been successful. In light of this, the department will be measuring the success of this proposal by using a return on investment measure. The measure that will be used is based on a prospective return of \$8 in general fund revenue received for every dollar spent.

Milestones: Major milestones include:

- The department will continue to use the 12 FTE to address noncompliance issues well beyond the conclusion of the 2011 biennium. Therefore the proposal will not have a completion date

FTE: The requested FTE are current department employees in modified positions. The existing staff currently conducts research to identify areas of noncompliance, perform discovery work to identify noncompliant taxpayers, conduct audits, and provide taxpayer assistance associated with the compliance issues discussed above. It should also be noted that the requested staff will only be able to address a fraction of the cases that the department has identified.

Obstacles: No obstacles have been identified as staff is already working on this initiative.

Risk: Without the requested FTE, Montana's tax system will continue to be compromised by non-filers and non-payers. If the department does not receive the requested FTE, tax compliance efforts will be reduced, costing the honest citizens of Montana who pay their taxes a loss of at least \$8 for every \$1 that would have been expended.

DP 70003 - Reduce Smoking through Tobacco Tax Compliance - A biennium increase of nearly \$356,000 state special revenue is to fund costs to continue the tobacco tax compliance program. Funding is designated as one time only.

Proprietary Rates

Proprietary Program Description

The Collection Services Program collects, on behalf of state agencies, debt associated with delinquent accounts. The program serves all state agencies and is funded through a service charge for collecting on delinquent accounts.

The program is funded with an internal services type proprietary fund. The program receives revenues to fund its operations by charging a commission for 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 legislature has provided an appropriation of general fund to fund these costs. The appropriation for the child support collections cost payments to this proprietary program is in the HB 2 portion of the program.

The following decision packages were concurred in when rates for the program were approved.

Proprietary Present Law Adjustments

DP 70008 – Operating Cost Fund Switch – A biennium increase of \$32,610 funds support costs for collecting bad debt associated with child support payments, which are supported by payments of general fund from the HB 2 portion of the program.

Proprietary New Proposals

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

Proprietary Rates

The legislature approved a maximum commission rate of 5 percent for the 2011 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.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	306.35	306.35	315.65	315.65	306.35	315.65	9.30	3.04%
Personal Services	14,512,040	14,920,508	15,896,756	16,013,563	29,432,548	31,910,319	2,477,771	8.42%
Operating Expenses	4,372,271	4,450,215	5,253,981	5,248,599	8,822,486	10,502,580	1,680,094	19.04%
Equipment & Intangible Assets	8,720	8,722	8,720	8,720	17,442	17,440	(2)	(0.01%)
Debt Service	0	972	0	0	972	0	(972)	(100.00%)
Total Costs	\$18,893,031	\$19,380,417	\$21,159,457	\$21,270,882	\$38,273,448	\$42,430,339	\$4,156,891	10.86%
General Fund	18,828,282	19,330,417	21,094,962	21,206,412	38,158,699	42,301,374	4,142,675	10.86%
State Special	64,749	50,000	64,495	64,470	114,749	128,965	14,216	12.39%
Total Funds	\$18,893,031	\$19,380,417	\$21,159,457	\$21,270,882	\$38,273,448	\$42,430,339	\$4,156,891	10.86%

Program Description

The Property Assessment Division values all residential, commercial, agricultural, forestland, and business equipment property in Montana for property tax purposes. The division is comprised of a central office located in Helena and six regions. There is a local Department of Revenue office in each of the county seats within the regional areas.

Program Highlights

Property Assessment Division HB 2 Budget Highlights	
◆	The legislative budget for the Property Assessment Division increases by \$4.2 million or 10.9 percent from the 2009 biennium to the 2011 biennium, due primarily to: <ul style="list-style-type: none"> • Statewide present law adjustments, which account for the largest share of the budget increases • One time funding to implement HB 658, which mitigates the impacts of the recent property tax reappraisal, which adds 9.30 FTE and \$1.6 million for the 2011 biennium • Funding to address increases in rent to house staff in private sector and local government office space, which adds \$258,000

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table							
Property Assessment Division							
Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	\$ 18,828,282	99.7%	\$ 21,094,962	99.7%	\$ 21,206,412	99.7%
	01100 General Fund	18,828,282	99.7%	21,094,962	99.7%	21,206,412	99.7%
02000	Total State Special Funds	64,749	0.3%	64,495	0.3%	64,470	0.3%
	02088 One-Stop And New Hire Admin.	-	-	-	-	-	-
	02320 Property Value. Improv. Fund	64,749	0.3%	64,495	0.3%	64,470	0.3%
Grand	Total	<u>\$ 18,893,031</u>	<u>100.0%</u>	<u>\$ 21,159,457</u>	<u>100.0%</u>	<u>\$ 21,270,882</u>	<u>100.0%</u>

Funding for the Property Assessment Division is from general fund and state special revenue in the percentages shown on the above figure. State special revenue is from the property valuation improvement fund and is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. Revenue deposited to the fund is from a fee received as reimbursement for the cost of developing and maintaining the property valuation and assessment system database. The fee is charged to persons, federal agencies, state agencies, and other entities requesting the database or any part of the database from any department property valuation and assessment system. The fee may not be charged to the Office of Budget and Program Planning, the State Tax Appeal Board, or any legislative agency or committee.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	18,828,282	18,828,282	37,656,564	89.02%	18,893,031	18,893,031	37,786,062	89.05%
Statewide PL Adjustments	1,585,796	1,634,952	3,220,748	7.61%	1,585,542	1,634,673	3,220,215	7.59%
Other PL Adjustments	114,989	141,512	256,501	0.61%	114,989	141,512	256,501	0.60%
New Proposals	565,895	601,666	1,167,561	2.76%	565,895	601,666	1,167,561	2.75%
Total Budget	\$21,094,962	\$21,206,412	\$42,301,374		\$21,159,457	\$21,270,882	\$42,430,339	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,904,367					1,955,934
Vacancy Savings					(656,648)					(658,721)
Inflation/Deflation					163,272					183,175
Fixed Costs					174,551					154,285
Total Statewide Present Law Adjustments		\$1,585,796	(\$254)	\$0	\$1,585,542		\$1,634,952	(\$279)	\$0	\$1,634,673
DP 7101 - Fuel Inflation Reduction	0.00	(678)	0	0	(678)	0.00	(778)	0	0	(778)
DP 80001 - Present Law Base Adjustments - Property Assessment	0.00	115,667	0	0	115,667	0.00	142,290	0	0	142,290
Total Other Present Law Adjustments	0.00	\$114,989	\$0	\$0	\$114,989	0.00	\$141,512	\$0	\$0	\$141,512
Grand Total All Present Law Adjustments	0.00	\$1,700,785	(\$254)	\$0	\$1,700,531	0.00	\$1,776,464	(\$279)	\$0	\$1,776,185

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

DP 80001 - Present Law Base Adjustments - Property Assessment - A biennium increase of \$257,957 general fund is to pay for increases for office space rent for division staff throughout the state.

New Proposals

New Proposals	-----Fiscal 2010-----					-----Fiscal 2011-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13											
08	0.00	102,084	0	0	102,084	0.00	308,796	0	0	308,796	
DP 6014 - Pay Plan Lump Sum Payment OTO											
08	0.00	137,844	0	0	137,844	0.00	0	0	0	0	
DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation											
08	0.00	9,807	0	0	9,807	0.00	8,504	0	0	8,504	
DP 8025 - HB 658 - Mitigate Reappraisal (OTO)											
08	9.30	808,646	0	0	808,646	9.30	778,407	0	0	778,407	
DP 8101 - Increasing 4% Vacancy Savings to 7%											
08	0.00	(492,486)	0	0	(492,486)	0.00	(494,041)	0	0	(494,041)	
Total	9.30	\$565,895	\$0	\$0	\$565,895	9.30	\$601,666	\$0	\$0	\$601,666	

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8025 - HB 658 - Mitigate Reappraisal (OTO) - A biennium increase of nearly \$1.6 million general fund funds costs to implement HB 658, a bill to mitigate impacts of the recent property tax reappraisal. The appropriation funds personal services to add 9.30 FTE and associated operating costs to implement the bill. The legislature designated funding as one time only.

DP 8101 - Increasing 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.