

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	609.53	(9.45)	12.00	612.08	(9.50)	15.50	615.53	615.53
Personal Services	24,716,824	(527,047)	1,737,227	25,927,004	(510,706)	2,263,344	26,469,462	52,396,466
Operating Expenses	9,381,179	3,866,110	3,278,019	16,525,308	2,433,987	3,128,993	14,944,159	31,469,467
Equipment	93,986	0	0	93,986	0	0	93,986	187,972
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,452	0	0	2,452	0	0	2,452	4,904
Total Costs	\$34,194,441	\$3,339,063	\$5,015,246	\$42,548,750	\$1,923,281	\$5,392,337	\$41,510,059	\$84,058,809
General Fund	29,279,359	5,218,374	4,962,052	39,459,785	3,790,357	5,252,242	38,321,958	77,781,743
State/Other Special	549,014	72,907	3,897	625,818	83,316	10,497	642,827	1,268,645
Federal Special	2,362,285	(2,063,864)	4,360	302,781	(2,060,783)	11,590	313,092	615,873
Proprietary	2,003,783	111,646	44,937	2,160,366	110,391	118,008	2,232,182	4,392,548
Total Funds	\$34,194,441	\$3,339,063	\$5,015,246	\$42,548,750	\$1,923,281	\$5,392,337	\$41,510,059	\$84,058,809

Agency Description

The Department of Revenue collects revenue from and enforces regulations for over 30 state taxes and fees. The department also regulates the sale and distribution of alcoholic beverages in the state. The department is composed of six divisions with overall agency direction and management coordinated from the Director's Office.

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> ◆ Total fund budget increases \$15.7 million for the biennium over the base ◆ General fund budget increases \$19.2 million for the biennium over the base ◆ Federal special revenue budget decreases \$4.1 million for the biennium from the base due primarily to the movement of the Unemployment Insurance tax collections function to the Department of Labor and Industry ◆ Significant budget increases for general fund are for: <ul style="list-style-type: none"> • Development of a new property tax system (\$5.5 million) • Replacement of the remainder of POINTS (\$4 million) • Pay plan adjustments (\$2.6 million) • Statewide present law adjustments (\$1.8 million) • IRIS operating costs (\$1.6 million) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$1.4 million) • 8.00 FTE tax compliance staff (\$1.12 million) • Increases in field office rent payments to local governments and private landlords (\$777,000) • Funding for an agriculture/forest land reappraisal program (\$571,000) • 3.00 FTE to collect delinquent income taxes owed to the state (\$262,000) ◆ Statewide FTE reductions eliminate 9.50 FTE by the end of the biennium and reduce general fund by \$0.9 million

Summary of Legislative Action

The legislative budget for total funds is an increase of \$15.7 million more for the biennium over the base of \$34.2 million, with a corresponding general fund increase of \$19.2 million. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the pay plan increases for the 2007 biennium and accounts for \$2.8 million of the total fund increase and \$2.5 million of the general fund budget for the biennium. Significant items in the legislative budget are:

- Funding for a new property tax system to replace the current obsolete system that is at risk of not being supported by the vendor (\$5.5 million)
- Funding to place the remainder of the tax types, except for property taxes, not currently administered by the Integrated Revenue Information System (IRIS) on the system (\$4 million)
- State employee pay plan (HB 447) adjustments (\$2.8 million)
- Statewide present law adjustments (\$1.8 million)
- Costs to operate IRIS, such as vendor maintenance services costs, and statewide network and computer usage costs (\$1.6 million)
- Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry as directed in SB 271 of the 2003 Legislature (\$1.4 million)
- 8.00 FTE tax compliance staff added to audit and enforce tax compliance in areas where other states have found significant non-compliance with personal income tax and corporate license taxes (\$1.12 million)
- Increases in rent payments for field offices outside Helena (\$777,000)
- Funding for an agriculture/forest land reappraisal program (\$571,000)
- Funding for 3.00 FTE to collect delinquent income taxes owed to the state to replace a contract with a private debt collection agency (\$262,000)

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 2007 Biennium Legislative Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Directors Office	\$ 8,480,939	\$ -	\$ 800	\$ 57,979	\$ 8,539,718	10.16%
02 Information Technology	7,318,671	-	-	139,884	7,458,555	8.87%
05 Resource Management	2,070,165	-	-	2,558,363	4,628,528	5.51%
06 Customer Service Center	10,111,046	863,170	184,800	1,636,322	12,795,338	15.22%
07 Business And Income Taxes Division	11,820,656	305,475	430,273	-	12,556,404	14.94%
08 Property Assessment Division	<u>37,980,266</u>	<u>100,000</u>	-	-	<u>38,080,266</u>	<u>45.30%</u>
Grand Total	<u>\$ 77,781,743</u>	<u>\$ 1,268,645</u>	<u>\$ 615,873</u>	<u>\$ 4,392,548</u>	<u>\$ 84,058,809</u>	<u>100.00%</u>

For the 2007 biennium, a reduction of \$1.9 million federal special revenue and an increase of \$1.4 million general fund were made to fund fixed and indirect costs of the department. The funding switch was made because the Unemployment Insurance Tax collection function was moved to the Department of Labor and Industry under the direction of SB 271 of the 2003 Legislature while the fixed and indirect costs remained at the levels of the 2005 biennium.

Other Legislation

Senate Bill 48 – SB 48 stops the class eight property tax reduction that would have gradually reduced the class eight property tax rate to zero under certain state economic conditions. SB 48 also raised the threshold value of class eight properties subject to an exemption from the tax. Funding was added to HB 2 to address the fiscal and staffing impacts identified in the fiscal note for SB 48. See DP 806 in the Property Assessment Division for further discussion of the funding for SB 48, which basically involve costs for printing and mailing forms. SB 48 has become law.

Senate Bill 345 – SB 345 revises laws related to urban renewal and tax increment financing. The fiscal note for SB 345 identifies one-time costs to modify programming of the Montana Ownership Database System to administer the changes of SB 345. The fiscal note identified that one-time funding in FY 2006 for 0.27 FTE and other funds totaling nearly \$22,000 would address the fiscal impacts of the bill. The executive did not request funding for these impacts and HB 2 does not contains additional funding to address the fiscal impacts of the bill. SB 345 has become law.

House Bill 667 – HB 667 creates purchasing pools and a tax credit for health insurance premiums paid through the pool. The fiscal note for the bill indicates that the department would need additional 0.25 FTE and total funding of \$10,653 in FY 2007 to administer and audit the tax credit provided for in the bill. Additional funding was not requested by the executive and is not included in HB 2 to address the identified fiscal impacts of HB 667. HB 667 has become law.

House Bill 745 – HB 745 establishes a supplemental appropriation of \$13.9 million general fund to finish making contractor payments for the portion of the Integrated Revenue Information System (IRIS) development project that was begun and completed in the 2005 biennium. In addition, HB 745 provides a supplemental appropriation of \$2.1 million general fund to the Department of Administration to pay contractor payments for IRIS for portions of the project that would be substantially complete in the 2005 biennium but may not be billed until after the end of FY 2005 and would qualify to be accrued for payment with FY 2005 funds. HB 745 has become law.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	609.53	620.08	612.08	(8.00)	620.03	615.53	(4.50)	
Personal Services	24,716,824	25,397,668	25,927,004	529,336	24,538,576	26,469,462	1,930,886	2,460,222
Operating Expenses	9,381,179	16,527,506	16,525,308	(2,198)	14,736,550	14,944,159	207,609	205,411
Equipment	93,986	133,986	93,986	(40,000)	93,986	93,986	0	(40,000)
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,452	2,102,452	2,452	(2,100,000)	2,452	2,452	0	(2,100,000)
Total Costs	\$34,194,441	\$44,161,612	\$42,548,750	(\$1,612,862)	\$39,371,564	\$41,510,059	\$2,138,495	\$525,633
General Fund	29,279,359	41,125,841	39,459,785	(1,666,056)	36,323,558	38,321,958	1,998,400	332,344
State/Other Special	549,014	621,921	625,818	3,897	632,330	642,827	10,497	14,394
Federal Special	2,362,285	298,421	302,781	4,360	301,502	313,092	11,590	15,950
Proprietary	2,003,783	2,115,429	2,160,366	44,937	2,114,174	2,232,182	118,008	162,945
Total Funds	\$34,194,441	\$44,161,612	\$42,548,750	(\$1,612,862)	\$39,371,564	\$41,510,059	\$2,138,495	\$525,633

For the biennium, the legislative budget is \$526,000 more in total funds than the executive budget. The differences between the legislative and executive budgets are due primarily to the following factors. The legislature:

- Approved the state employee pay plan (\$2.8 million)
- Approved requests by the executive to withdraw funding requested to pay off the Integrated Revenue Information System (IRIS) computer system loan (\$2.1 million) and to reduce funding for seasonal returns processing staff (\$238,000)
- Replaced a request for a \$475,000 language appropriation with an appropriation of \$254,000 general fund to add 3.00 FTE for collecting delinquent income taxes
- Approved funding for an agricultural/forest land reappraisal program at a lower level than presented in the executive budget (\$829,000 general fund lower)
- Added funding for costs to collect child support debt (\$147,000)

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	29.00	(1.00)	0.00	28.00	(1.00)	0.00	28.00	28.00
Personal Services	1,657,995	(111,183)	44,562	1,591,374	(110,683)	113,756	1,661,068	3,252,442
Operating Expenses	670,634	3,058,951	0	3,729,585	887,057	0	1,557,691	5,287,276
Equipment	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$2,328,629	\$2,947,768	\$44,562	\$5,320,959	\$776,374	\$113,756	\$3,218,759	\$8,539,718
General Fund	2,177,182	3,071,083	43,626	5,291,891	900,489	111,377	3,189,048	8,480,939
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	121,280	(120,480)	0	800	(121,280)	0	0	800
Proprietary	30,167	(2,835)	936	28,268	(2,835)	2,379	29,711	57,979
Total Funds	\$2,328,629	\$2,947,768	\$44,562	\$5,320,959	\$776,374	\$113,756	\$3,218,759	\$8,539,718

Program Description

The Director's Office supports the agency's director and is composed of six work units that provide the following functions:

- o Supervises the overall legal efforts of the department, includes reviewing administrative rules and policies and supporting the Office of Dispute Resolution
- o Provides research and analysis of state revenue legislation and legislative proposals affecting the department, and department economic data analysis
- o Consolidates the department budget
- o Provides department communication activities, including information dissemination, media relations, document editing, stakeholder relations, website maintenance, public involvement, and special events
- o Provides information and analysis of the adequacy and the effectiveness of department systems of internal controls, operational quality control, and compliance with established standards and management expectations
- o Provides administrative support for all units in the Director's Office including, preparing for legislative committees, transcribing legal hearings, editing correspondence, and finalizing mass mailings

Program Highlights

Department of Revenue Director's Office Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund budget increases \$4.1 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Replacement of the remainder of POINTS (\$4 million) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$241,000) • State employee pay plan adjustments (\$155,000) ◆ Statewide FTE reductions eliminate 1.00 FTE quality assurance manager by the end of the biennium and reduce general fund by \$127,000 ◆ A language appropriation of \$1.4 million general fund was approved for transition costs of the POINTS project

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 2,177,182	93.5%	\$ 5,291,891	99.5%	\$ 3,189,048	99.1%
	01100 General Fund	2,177,182	93.5%	5,291,891	99.5%	3,189,048	99.1%
03000	Total Federal Special Funds	121,280	5.2%	800	0.0%	-	-
	03928 Royalty Audit - Nrct	800	0.0%	800	0.0%	-	-
	03954 Ui Administrative Grants	120,480	5.2%	-	-	-	-
06000	Total Proprietary Funds	30,167	1.3%	28,268	0.5%	29,711	0.9%
	06005 Liquor Division	30,167	1.3%	28,268	0.5%	29,711	0.9%
Grand Total		\$ 2,328,629	100.0%	\$ 5,320,959	100.0%	\$ 3,218,759	100.0%

Funding for the program comes primarily from the general fund. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Director's Office support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium. The remaining federal funds are from an allocation of funds in support of the mineral royalty audits.

Present Law Adjustments

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

	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					19,751					20,083
Vacancy Savings					(67,108)					(67,123)
Inflation/Deflation					(425)					(423)
Fixed Costs					59,376					(112,520)
Total Statewide Present Law Adjustments					\$11,594					(\$159,983)
DP 101 - Replacement of Federal Funds - UI Transfer	0.00	120,480	0	(120,480)	0	0.00	120,480	0	(120,480)	0
DP 104 - Statewide FTE Reduction	(1.00)	(63,826)	0	0	(63,826)	(1.00)	(63,643)	0	0	(63,643)
DP 106 - Replace the Remainder of the POINTS System	0.00	3,000,000	0	0	3,000,000	0.00	1,000,000	0	0	1,000,000
Total Other Present Law Adjustments	(1.00)	\$3,056,654	\$0	(\$120,480)	\$2,936,174	(1.00)	\$1,056,837	\$0	(\$120,480)	\$936,357
Grand Total All Present Law Adjustments					\$2,947,768					\$776,374

DP 101 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$240,960 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 104 - Statewide FTE Reduction - The legislature approved a reduction of \$127,469 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The position that will likely be eliminated for this reduction is the internal quality assurance manager. The position evaluates department processes, recommends process improvements, and assists division personnel in implementing changes.

DP 106 - Replace the Remainder of the POINTS System - The legislature approved an increase of \$4.0 million general fund for the biennium to shut down the POINTS system. This funding would allow the department to contract for the implementation of the remaining tax types including: consumer counsel, contractor gross receipts, electrical energy, metal mines, nursing facility beds, public service regulation, resource indemnity, retail communication excise, wholesale energy transaction, 911, abandoned property, coal gross proceeds, coal severance, other tobacco products, telephone device for the deaf (TDD), and liquor (beer, wine, and hard cider). The legislature designated funding as one-time-only, biennial, and restricted only for the requested purpose.

New Proposals

Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	43,626	0	0	44,562*	0.00	111,377	0	0	113,756*
Total	0.00	\$43,626	\$0	\$0	\$44,562*	0.00	\$111,377	\$0	\$0	\$113,756*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

“Any funds remaining, up to \$1,400,000, from the appropriation authorized in section 12(1), Chapter 597, Laws of 2003, are reappropriated to the department for the 2007 biennium for the stated purpose.”

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	31.00	(2.00)	0.00	29.00	(2.00)	0.00	29.00	29.00
Personal Services	1,410,743	142,308	43,354	1,596,405	141,571	110,468	1,662,782	3,259,187
Operating Expenses	1,394,083	379,993	0	1,774,076	1,019,833	0	2,413,916	4,187,992
Equipment	5,688	0	0	5,688	0	0	5,688	11,376
Total Costs	\$2,810,514	\$522,301	\$43,354	\$3,376,169	\$1,161,404	\$110,468	\$4,082,386	\$7,458,555
General Fund	2,530,552	733,933	42,446	3,306,931	1,373,036	108,152	4,011,740	7,318,671
Federal Special	215,490	(215,490)	0	0	(215,490)	0	0	0
Proprietary	64,472	3,858	908	69,238	3,858	2,316	70,646	139,884
Total Funds	\$2,810,514	\$522,301	\$43,354	\$3,376,169	\$1,161,404	\$110,468	\$4,082,386	\$7,458,555

Program Description

The Information Technology Division provides data, application, and technology support for department computer users. The division plans, coordinates, delivers, and controls information resources for the department. The division manages all computing services provided to the department, including integrating and managing desktop, mid-tier, and mainframe applications as well as network support services.

Program Highlights

Department of Revenue Information Technology Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund budget increases \$2.3 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • IRIS operating costs (\$1.6 million) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$431,000) • Statewide present law adjustments (\$230,000) • State employee pay plan adjustments (\$151,000) ◆ Statewide FTE reductions eliminate 2.00 FTE computer programmer analysts by the end of the biennium and reduce general fund by \$177,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Information Technology					
		Base	% of Base	Budget	% of Budget	Budget	% of Budget
Program Funding		FY 2004	FY 2004	FY 2006	FY 2006	FY 2007	FY 2007
01000	Total General Fund	\$ 2,530,552	90.0%	\$ 3,306,931	97.9%	\$ 4,011,740	98.3%
	01100 General Fund	2,530,552	90.0%	3,306,931	97.9%	4,011,740	98.3%
03000	Total Federal Special Funds	215,490	7.7%	-	-	-	-
	03954 Ui Administrative Grants	215,490	7.7%	-	-	-	-
06000	Total Proprietary Funds	64,472	2.3%	69,238	2.1%	70,646	1.7%
	06005 Liquor Division	64,472	2.3%	69,238	2.1%	70,646	1.7%
Grand Total		<u>\$2,810,514</u>	<u>100.0%</u>	<u>\$3,376,169</u>	<u>100.0%</u>	<u>\$4,082,386</u>	<u>100.0%</u>

The Information Technology Division is funded with general fund and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Information Technology Program support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative 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 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					299,120					298,095
Vacancy Savings					(68,395)					(68,352)
Inflation/Deflation					(1,813)					(1,807)
Fixed Costs					(109,859)					(109,774)
Total Statewide Present Law Adjustments					\$119,053					\$118,162
DP 201 - Replacement of Federal Funds - UI Transfer	0.00	215,490	0	(215,490)	0	0.00	215,490	0	(215,490)	0
DP 202 - IRIS Operating Costs	0.00	491,665	0	0	491,665	0.00	1,131,414	0	0	1,131,414
DP 203 - Statewide FTE Reduction	(2.00)	(88,417)	0	0	(88,417)	(2.00)	(88,172)	0	0	(88,172)
Total Other Present Law Adjustments	(2.00)	\$618,738	\$0	(\$215,490)	\$403,248	(2.00)	\$1,258,732	\$0	(\$215,490)	\$1,043,242
Grand Total All Present Law Adjustments					\$522,301					\$1,161,404

DP 201 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$430,980 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 202 - IRIS Operating Costs - The legislature approved an increase of \$1.6 million general fund for the biennium to fund on-going operating costs for IRIS. Funding would be used to pay statewide computer network service costs, vendor maintenance and support costs, and additional printing and mailing costs of account receivable statements mailed monthly with the new system.

DP 203 - Statewide FTE Reduction - The legislature approved a reduction of \$176,589 general fund for the biennium to permanently eliminate 2.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that will likely be eliminated for this reduction are for computer programmer analysts.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
02	0.00	42,446	0	0	43,354*	0.00	108,152	0	0	110,468*
Total	0.00	\$42,446	\$0	\$0	\$43,354*	0.00	\$108,152	\$0	\$0	\$110,468*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	37.50	(1.00)	0.00	36.50	(1.00)	0.00	36.50	36.50
Personal Services	1,582,022	98,850	49,694	1,730,566	98,046	128,840	1,808,908	3,539,474
Operating Expenses	471,967	16,323	0	488,290	14,555	0	486,522	974,812
Equipment	57,121	0	0	57,121	0	0	57,121	114,242
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$2,111,110	\$115,173	\$49,694	\$2,275,977	\$112,601	\$128,840	\$2,352,551	\$4,628,528
General Fund	862,809	128,332	25,032	1,016,173	127,015	64,168	1,053,992	2,070,165
Federal Special	106,677	(106,677)	0	0	(106,677)	0	0	0
Proprietary	1,141,624	93,518	24,662	1,259,804	92,263	64,672	1,298,559	2,558,363
Total Funds	\$2,111,110	\$115,173	\$49,694	\$2,275,977	\$112,601	\$128,840	\$2,352,551	\$4,628,528

Program Description

The Resource Management Program provides service and support to the department by integrating the human resources, payroll and benefits, accounting, facilities management, and training and education functions of the department. The Liquor Distribution Unit is managed in this program.

Program Highlights

Department of Revenue Resource Management Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund budget increases \$345,000 for the biennium over the base due primarily to: <ul style="list-style-type: none"> ● Statewide present law adjustments (\$169,000) ● Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$213,000) ● State employee pay plan adjustments (\$89,000) ◆ Statewide FTE reductions eliminate 1.00 FTE bureau chief by the end of the biennium and reduce general fund by \$127,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding		Program Funding Table Resource Management					
		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 862,809	40.9%	\$ 1,016,173	44.6%	\$ 1,053,992	44.8%
	01100 General Fund	862,809	40.9%	1,016,173	44.6%	1,053,992	44.8%
03000	Total Federal Special Funds	106,677	5.1%	-	-	-	-
	03954 Ui Administrative Grants	106,677	5.1%	-	-	-	-
06000	Total Proprietary Funds	1,141,624	54.1%	1,259,804	55.4%	1,298,559	55.2%
	06005 Liquor Division	1,141,624	54.1%	1,259,804	55.4%	1,298,559	55.2%
Grand Total		<u>\$ 2,111,110</u>	<u>100.0%</u>	<u>\$ 2,275,977</u>	<u>100.0%</u>	<u>\$ 2,352,551</u>	<u>100.0%</u>

The Resource Management Program is funded by the general fund and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Resource Management Program support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium.

The Liquor Distribution Unit is funded with a direct appropriation of Liquor Division proprietary fund. Net revenues from liquor sales are transferred to the general fund once operating costs are deducted from gross revenues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative 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 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					235,351					234,323
Vacancy Savings					(72,694)					(72,655)
Inflation/Deflation					1,188					(592)
Fixed Costs					15,135					15,147
Total Statewide Present Law Adjustments					\$178,980					\$176,223
DP 501 - Replacement of Federal Funds - UI Transfer										
	0.00	106,677	0	(106,677)	0	0.00	106,677	0	(106,677)	0
DP 505 - Statewide FTE Reduction										
	(1.00)	(63,807)	0	0	(63,807)	(1.00)	(63,622)	0	0	(63,622)
Total Other Present Law Adjustments	(1.00)	\$42,870	\$0	(\$106,677)	(\$63,807)	(1.00)	\$43,055	\$0	(\$106,677)	(\$63,622)
Grand Total All Present Law Adjustments					\$115,173					\$112,601

DP 501 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$213,354 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 505 - Statewide FTE Reduction - The legislature approved a reduction of \$127,429 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The program will likely eliminate a bureau chief position.

New Proposals

Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447 05	0.00	25,032	0	0	49,694*	0.00	64,168	0	0	128,840*
Total	0.00	\$25,032	\$0	\$0	\$49,694*	0.00	\$64,168	\$0	\$0	\$128,840*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Liquor division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in amounts not to exceed \$78,766,985 in fiscal year 2006 and \$83,497,337 in fiscal year 2007.

In the event that the department is unable to meet statutory service levels because of the increase in demand for liquor products, the department may hire additional temporary employees or pay overtime, whichever is determined to be the more cost-effective, to maintain required service levels to stores. In fiscal year 2006 and in fiscal year 2007, the department is appropriated not more than \$40,000 each year for additional costs from the liquor enterprise fund (06005) to meet the service level requirements.

In the liquor division, upon a termination that requires a payout of accrued leave balances, liquor division proprietary funds are appropriated from the liquor enterprise fund (06005) to the department in the amount equal to the payout of the accrued leave balances, not to exceed \$30,000 for each of fiscal years 2006 and 2007."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	108.25	(1.00)	3.00	110.25	(1.00)	3.00	110.25	110.25
Personal Services	3,933,401	(279,958)	240,482	3,893,925	(285,193)	445,840	4,094,048	7,987,973
Operating Expenses	2,354,053	(55,418)	92,321	2,390,956	(57,940)	83,972	2,380,085	4,771,041
Equipment	18,162	0	0	18,162	0	0	18,162	36,324
Total Costs	\$6,305,616	(\$335,376)	\$332,803	\$6,303,043	(\$343,133)	\$529,812	\$6,492,295	\$12,795,338
General Fund	4,511,183	160,591	310,475	4,982,249	146,940	470,674	5,128,797	10,111,046
State/Other Special	359,397	62,044	3,897	425,338	67,938	10,497	437,832	863,170
Federal Special	667,516	(575,116)	0	92,400	(575,116)	0	92,400	184,800
Proprietary	767,520	17,105	18,431	803,056	17,105	48,641	833,266	1,636,322
Total Funds	\$6,305,616	(\$335,376)	\$332,803	\$6,303,043	(\$343,133)	\$529,812	\$6,492,295	\$12,795,338

Program Description

The Customer Service Center combines the document and information processing, accounts receivable and collections, and customer intake processes into a single business unit designed to collect revenue, process documents, provide taxpayer information, and process liquor licenses for the department and agency partners. The center is responsible for electronic commerce, document capture, remittance processing, records management, direct deposit of cash receipts and revenue, and mail distribution. The center provides a single point of contact for debtors and is responsible for delinquent account collection and enforcement activities.

Program Highlights

Department of Revenue Customer Service Center Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund budget increases \$1.1 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • State employee pay plan adjustments (\$380,000) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$378,000) • Delinquent income tax receivable collection (\$262,000) ◆ Statewide FTE reductions eliminate 1.00 FTE collections technician by the end of the biennium and reduce general fund by \$55,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Customer Service Center					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 4,511,183	71.5%	\$ 4,982,249	79.0%	\$ 5,128,797	79.0%
	01100 General Fund	4,511,183	71.5%	4,982,249	79.0%	5,128,797	79.0%
02000	Total State Special Funds	359,397	5.7%	425,338	6.7%	437,832	6.7%
	02025 Unclaimed Property	162,446	2.6%	171,216	2.7%	182,836	2.8%
	02088 One-Stop And New Hire Admin.	164,500	2.6%	225,000	3.6%	225,000	3.5%
	02110 Accommodation Tax Admin	27,451	0.4%	29,122	0.5%	29,996	0.5%
	02396 Sb354-Restaurant Beer & Wine	5,000	0.1%	-	-	-	-
03000	Total Federal Special Funds	667,516	10.6%	92,400	1.5%	92,400	1.4%
	03680 New Hire Admin (Federal Share)	92,400	1.5%	92,400	1.5%	92,400	1.4%
	03954 Uj Administrative Grants	575,116	9.1%	-	-	-	-
06000	Total Proprietary Funds	767,520	12.2%	803,056	12.7%	833,266	12.8%
	06005 Liquor Division	767,520	12.2%	803,056	12.7%	833,266	12.8%
Grand Total		<u>\$ 6,305,616</u>	<u>100.0%</u>	<u>\$ 6,303,043</u>	<u>100.0%</u>	<u>\$ 6,492,295</u>	<u>100.0%</u>

The Customer Service Center is funded with general fund, state and federal special revenue, and proprietary funds. Liquor Division proprietary funds are for the Liquor Division share of Customer Service Center support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. State special revenue is primarily for administrative costs for administering functions associated with abandoned property, the Montana Small Business Licensing Coordination Act, and accommodations taxes.

The delinquent account collection and enforcement activities are funded with internal service proprietary funds and are not included in the budget tables for the program. The proprietary section of this program discusses funding for the delinquent account collection and enforcement activities, and the rate requested to finance this internal service funded portion of the program.

For the 2005 biennium, federal special revenue comes from federal unemployment insurance funds. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry (DOLI), the federal unemployment insurance funds will no longer be available for program funding in the 2007 biennium. The remaining federal funds are for the administration of new hire processes.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative 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 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(99,040)					(104,573)
Vacancy Savings					(153,381)					(153,153)
Inflation/Deflation					(40,999)					(40,996)
Fixed Costs					36,657					34,132
Total Statewide Present Law Adjustments					(\$256,763)					(\$264,590)
DP 601 - Replacement of Federal Funds - UI Transfer	0.00	188,878	0	(239,954)	(51,076)	0.00	188,878	0	(239,954)	(51,076)
DP 602 - Statewide FTE Reduction	(1.00)	(27,537)	0	0	(27,537)	(1.00)	(27,467)	0	0	(27,467)
Total Other Present Law Adjustments	(1.00)	\$161,341	\$0	(\$239,954)	(\$78,613)	(1.00)	\$161,411	\$0	(\$239,954)	(\$78,543)
Grand Total All Present Law Adjustments					(\$335,376)					(\$343,133)

DP 601 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$479,908 for the biennium and increase general fund by \$377,756 due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs. The net impact from this adjustment is a \$102,152 total fund reduction for the biennium due to the need for less operating expenses such as personal computer equipment, telephone equipment, and office supplies.

DP 602 - Statewide FTE Reduction - The legislature approved a reduction of \$55,004 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The position that will likely be eliminated for this reduction is for a grade 9, collections technician.

New Proposals

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 604 - Delinquent Income Tax Receivable Collection											
06	3.00	131,121	0	0	131,121	3.00	122,463	0	0	122,463	
DP 605 - Child Support Debt Collection Costs											
06	0.00	73,730	0	0	73,730	0.00	73,730	0	0	73,730	
DP 6010 - 2007 Biennium Pay Plan - HB 447											
06	0.00	105,624	3,897	0	127,952*	0.00	274,481	10,497	0	333,619*	
Total	3.00	\$310,475	\$3,897	\$0	\$332,803*	3.00	\$470,674	\$10,497	\$0	\$529,812*	

DP 604 - Delinquent Income Tax Receivable Collection - The legislature approved an increase of \$262,203 general fund for the biennium to add 3.00 FTE and operating costs to collect delinquent income tax receivables. Based on department testimony, the legislature expects that the function would annually collect \$1.2 million of delinquent income taxes owed to the state. The legislature directed that the department provide a report to the 2007 General Government and Transportation Joint Appropriations Subcommittee that identifies the costs and annual collections attained by the function funded with this adjustment.

DP 605 - Child Support Debt Collection Costs - The legislature approved an increase of \$147,460 general fund for the biennium to fund debt collection costs for collecting overpaid child support payments made to custodial parents and delinquent child support payments from non-custodial parents. Funding augments proprietary funds for the collection of these two specific collection functions. Funding is biennial and restricted.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Funds are not appropriated or otherwise made available to the department to support continuation of individual income tax debt collection contracts entered into before July 1, 2005."

Proprietary Program Description

The Customer Services Center provides the collection services function that collects debt associated with delinquent accounts. The collection services function serves all state agencies and is funded through a service charge for collecting on delinquent accounts.

Proprietary Revenues and Expenses

The department charges a 10 percent commission to provide collection services on delinquent accounts. The center collects the largest amount of revenues on delinquent accounts through offsets of individual income tax refunds and through offsets of refunds made by the Department of Fish, Wildlife & Parks after a permit applicant is unsuccessful in drawing a hunting permit. The timing of these two major collection sources necessitates the center maintaining a 9-month working capital balance to fund expenses throughout the year. These funds are used to pay the expenses of the center, including 3.50 FTE. Personal services costs account for approximately 74.0 percent of program costs. The remaining costs are related to rent, computer access and processing, and a percentage of the statewide fixed costs allocated to this function.

Proprietary Rate Explanation

The legislature approved a rate of 10 percent of the amount of delinquent accounts collected by the program as the rate for funding the delinquent account debt collection function. The legislature separately appropriated, in HB 2, funding to collect overpaid child support payments made to custodial parents (debt code 43) and delinquent child support payments from non-custodial parents (debt code 44), and directed the department not to apply the delinquent account collection fee for these two debt codes.

The legislature also approved the following language to accompany the Customer Service Center rates in HB 2:

"The department may not collect the delinquent account collection fee for debt codes 43 (collection of overpaid child support payments made to custodial parents) or 44 (collection of delinquent child support payments from noncustodial parents)."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	102.78	(1.30)	8.00	109.48	(1.35)	8.00	109.43	109.43
Personal Services	4,491,320	(41,697)	961,488	5,411,111	(24,270)	369,839	4,836,889	10,248,000
Operating Expenses	981,685	8,347	301,601	1,291,633	9,086	0	990,771	2,282,404
Equipment	13,000	0	0	13,000	0	0	13,000	26,000
Total Costs	\$5,486,005	(\$33,350)	\$1,263,089	\$6,715,744	(\$15,184)	\$369,839	\$5,840,660	\$12,556,404
General Fund	4,091,878	1,005,076	1,258,729	6,355,683	1,014,846	358,249	5,464,973	11,820,656
State/Other Special	142,805	7,675	0	150,480	12,190	0	154,995	305,475
Federal Special	1,251,322	(1,046,101)	4,360	209,581	(1,042,220)	11,590	220,692	430,273
Total Funds	\$5,486,005	(\$33,350)	\$1,263,089	\$6,715,744	(\$15,184)	\$369,839	\$5,840,660	\$12,556,404

Program Description

Business and Income Taxes Division oversees audits and measures to verify tax-paying entities are complying with tax laws.

Program Highlights

Department of Revenue Business and Income Tax Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund budget increases \$3.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Statewide present law adjustments (\$2.0 million) • Addition of 8.00 FTE tax compliance staff (\$1.12 million) • State employee pay plan adjustments (\$497,000) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$135,000) ◆ Statewide FTE reductions eliminate 1.35 FTE by the end of the biennium and reduce general fund by \$97,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding		Program Funding Table Business And Income Taxe					
		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 4,091,878	74.6%	\$ 6,355,683	94.6%	\$ 5,464,973	93.6%
	01100 General Fund	4,091,878	74.6%	6,355,683	94.6%	5,464,973	93.6%
02000	Total State Special Funds	142,805	2.6%	150,480	2.2%	154,995	2.7%
	02110 Accommodation Tax Admin	109,804	2.0%	116,490	1.7%	119,985	2.1%
	02432 Oil & Gas Era	33,001	0.6%	33,990	0.5%	35,010	0.6%
03000	Total Federal Special Funds	1,251,322	22.8%	209,581	3.1%	220,692	3.8%
	03928 Royalty Audit - Nrct	177,380	3.2%	209,581	3.1%	220,692	3.8%
	03954 Ui Administrative Grants	<u>1,073,942</u>	<u>19.6%</u>	-	-	-	-
Grand Total		<u>\$ 5,486,005</u>	<u>100.0%</u>	<u>\$ 6,715,744</u>	<u>100.0%</u>	<u>\$ 5,840,660</u>	<u>100.0%</u>

The Business and Income Taxes Division is funded with general fund, state special revenue, and federal special revenue. State special revenue is for administrative costs for administering functions associated with accommodations taxes and oil and gas taxes. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry (DOLI), the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium. The remaining federal special revenue funding comes from reimbursements for performing mineral royalty audits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative 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 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					193,649					213,162
Vacancy Savings					(187,392)					(188,181)
Inflation/Deflation					(12,397)					(12,280)
Fixed Costs					172,615					173,237
Total Statewide Present Law Adjustments					\$166,475					\$185,938
DP 701 - Replacement of Federal Funds - UI Transfer	0.00	67,528	0	(249,919)	(182,391)	0.00	67,528	0	(249,919)	(182,391)
DP 702 - Funding Federal Royalty Costs at FY 2004 Level	0.00	0	0	30,520	30,520	0.00	0	0	30,520	30,520
DP 703 - Statewide FTE Reduction	(1.30)	(47,954)	0	0	(47,954)	(1.35)	(49,251)	0	0	(49,251)
Total Other Present Law Adjustments	(1.30)	\$19,574	\$0	(\$219,399)	(\$199,825)	(1.35)	\$18,277	\$0	(\$219,399)	(\$201,122)
Grand Total All Present Law Adjustments					(\$33,350)					(\$15,184)

DP 701 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$499,838 for the biennium and increase general fund by \$135,056 due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs. The net impact from this adjustment is a \$364,782 total fund reduction for the biennium.

DP 702 - Funding Federal Royalty Costs at FY 2004 Level - The legislature approved an increase of \$61,040 federal special revenue for the biennium for operating costs associated with the Federal Royalty Audit Program.

DP 703 - Statewide FTE Reduction - The legislature approved a reduction of \$97,205 general fund for the biennium to permanently eliminate 1.35 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that will likely be eliminated for this reduction are tax examiners.

New Proposals

Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 111 - Tax Compliance Staff 07	8.00	1,120,000	0	0	1,120,000	8.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447 07	0.00	138,729	0	4,360	143,089	0.00	358,249	0	11,590	369,839
Total	8.00	\$1,258,729	\$0	\$4,360	\$1,263,089*	8.00	\$358,249	\$0	\$11,590	\$369,839*

DP 111 - Tax Compliance Staff - The legislature approved an increase of \$1.12 million general fund for the biennium to fund personal services and operating costs to add 8.00 FTE for compliance activities in areas where other states have found significant non-compliance with personal income tax and corporate license tax. The legislature approved the funding as restricted and biennial.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Funding in Tax Compliance Staff may be used only for personal services and operating costs for additional tax audit staff, including support and legal staff."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	301.00	(3.15)	1.00	298.85	(3.15)	4.50	302.35	302.35
Personal Services	11,641,343	(335,367)	397,647	11,703,623	(330,177)	1,094,601	12,405,767	24,109,390
Operating Expenses	3,508,757	457,914	2,884,097	6,850,768	561,396	3,045,021	7,115,174	13,965,942
Equipment	15	0	0	15	0	0	15	30
Debt Service	2,452	0	0	2,452	0	0	2,452	4,904
Total Costs	\$15,152,567	\$122,547	\$3,281,744	\$18,556,858	\$231,219	\$4,139,622	\$19,523,408	\$38,080,266
General Fund	15,105,755	119,359	3,281,744	18,506,858	228,031	4,139,622	19,473,408	37,980,266
State/Other Special	46,812	3,188	0	50,000	3,188	0	50,000	100,000
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$15,152,567	\$122,547	\$3,281,744	\$18,556,858	\$231,219	\$4,139,622	\$19,523,408	\$38,080,266

Program Description

Property Assessment Division is responsible for the valuation and assessment of real and personal property throughout the state 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 located in each of the county seats within the regional areas.

Program Highlights

Department of Revenue Property Assessment Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund budget increases \$7.8 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> ● One-time funding to develop a new property tax system (\$5.5 million) ● State employee pay plan adjustments (\$1.3 million) ● Field office rent increases (\$771,000) ● One-time funding for an agriculture/forest land reappraisal program and 4.50 FTE (\$571,000) ◆ Statewide FTE reductions eliminate 3.15 FTE by the end of the biennium and reduce general fund by \$288,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Property Assessment Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 15,105,755	99.7%	\$ 18,506,858	99.7%	\$ 19,473,408	99.7%
	01100 General Fund	15,105,755	99.7%	18,506,858	99.7%	19,473,408	99.7%
02000	Total State Special Funds	46,812	0.3%	50,000	0.3%	50,000	0.3%
	02320 Property Value. Improv. Fund	46,812	0.3%	50,000	0.3%	50,000	0.3%
Grand Total		<u>\$ 15,152,567</u>	<u>100.0%</u>	<u>\$ 18,556,858</u>	<u>100.0%</u>	<u>\$ 19,523,408</u>	<u>100.0%</u>

Funding for the Property Assessment Division is from general fund and state special revenue. 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.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative 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 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
				285,698					290,730	
				(477,061)					(477,289)	
				(60,246)					(58,599)	
				53,424					51,654	
				(\$198,185)					(\$193,504)	
DP 801 - Field Office Rent	0.00	374,358	0	0	374,358	0.00	396,261	0	0	396,261
DP 802 - Request for Leased Vehicles	0.00	90,378	0	0	90,378	0.00	172,080	0	0	172,080
DP 803 - Statewide FTE Reduction	(3.15)	(144,004)	0	0	(144,004)	(3.15)	(143,618)	0	0	(143,618)
				\$320,732					\$424,723	
				\$0					\$0	
				\$320,732					\$424,723	
				\$0					\$0	
				\$320,732					\$424,723	
				\$122,547					\$231,219	

DP 801 - Field Office Rent - The legislature approved an increase of \$770,619 general fund for the biennium to fund increases to rent payments for office space occupied by department personnel outside of Helena in county buildings and private office buildings.

DP 802 - Request for Leased Vehicles - The legislature approved an increase of \$262,458 general fund for the biennium to replace department owned vehicles with State Motor Pool leased vehicles. The department would replace 25 vehicles in FY 2006 and 24 vehicles in FY 2007. After this adjustment, the department would lease all but 11 department-owned vehicles in a fleet of 155 vehicles from the State Motor Pool.

DP 803 - Statewide FTE Reduction - The legislature approved a reduction of \$287,622 general fund for the biennium to permanently eliminate 3.15 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that will likely be eliminated for this reduction are for property valuation specialists that perform personal property audits.

New Proposals

Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 804 - Property Tax Computer System										
08	0.00	2,750,000	0	0	2,750,000	0.00	2,750,000	0	0	2,750,000
DP 805 - Agricultural/Forest Land Reappraisal Program -OTO										
08	1.00	147,502	0	0	147,502	4.50	423,161	0	0	423,161
DP 806 - Printing and Mail Costs - SB 48										
08	0.00	18,720	0	0	18,720	0.00	18,720	0	0	18,720
DP 6010 - 2007 Biennium Pay Plan - HB 447										
08	0.00	365,522	0	0	365,522	0.00	947,741	0	0	947,741
Total	1.00	\$3,281,744	\$0	\$0	\$3,281,744*	4.50	\$4,139,622	\$0	\$0	\$4,139,622*

DP 804 - Property Tax Computer System - The legislature approved an increase of \$5.5 million general fund for the biennium to develop and implement a new property tax computer system that would interface with IRIS. The legislature designated funding as biennial, one-time-only, and restricted for developing and implementing a new property tax computer system.

DP 805 - Agricultural/Forest Land Reappraisal Program -OTO - The legislature approved a general fund increase of \$570,663 over the biennium to add 1.00 FTE in FY 2006 and 4.50 FTE in FY 2007 and operating costs for an agricultural/forest land reappraisal program. The legislature designated funding as one-time-only.

DP 806 - Printing and Mail Costs - SB 48 - The legislature approved an increase of \$37,440 general fund for the biennium for form printing and mailing to address the fiscal impacts of SB 48, which eliminates the class 8 property trigger and increases the class 8 threshold.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.