

**Agency Legislative Budget**

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

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	611.03	28.25	8.50	647.78	28.25	8.50	647.78	647.78
Personal Services	24,601,237	6,433,605	1,650,756	32,685,598	6,473,861	2,989,134	34,064,232	66,749,830
Operating Expenses	10,881,515	7,617,276	2,625,771	21,124,562	6,892,431	2,327,003	20,100,949	41,225,511
Equipment	181,863	0	0	181,863	0	0	181,863	363,726
Local Assistance	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	972	0	0	972	0	0	972	1,944
<b>Total Costs</b>	<b>\$35,665,587</b>	<b>\$14,050,881</b>	<b>\$4,276,527</b>	<b>\$53,992,995</b>	<b>\$13,366,292</b>	<b>\$5,316,137</b>	<b>\$54,348,016</b>	<b>\$108,341,011</b>
General Fund	32,716,886	13,710,885	4,018,078	50,445,849	13,028,758	4,993,969	50,739,613	101,185,462
State/Other Special	616,073	255,392	7,093	878,558	250,751	14,720	881,544	1,760,102
Federal Special	302,685	102,132	9,513	414,330	101,332	19,972	423,989	838,319
Proprietary	2,029,943	(17,528)	241,843	2,254,258	(14,549)	287,476	2,302,870	4,557,128
<b>Total Funds</b>	<b>\$35,665,587</b>	<b>\$14,050,881</b>	<b>\$4,276,527</b>	<b>\$53,992,995</b>	<b>\$13,366,292</b>	<b>\$5,316,137</b>	<b>\$54,348,016</b>	<b>\$108,341,011</b>

**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**

<b>Department of Revenue Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Budget adjustments increase total funds by \$37.0 million (\$35.8 million general fund) for the two years of the biennium on top of a \$35.7 million total fund (\$32.7 million general fund) base primarily for:                             <ul style="list-style-type: none"> <li>• On-going costs for operation and maintenance of the state tax administration system (\$7.5 million)</li> <li>• Statewide present law adjustments (\$7.3 million)</li> <li>• The addition of 10.00 FTE for enhanced tax compliance (\$5.9 million)</li> <li>• A new initiative to provide free electronic filing for state taxpayers (\$4.7 million)</li> <li>• State employee pay plan adjustments (\$3.8 million)</li> <li>• The addition of 10.00 FTE to address workload impacts due to increasing numbers of property parcels (\$2.9 million)</li> <li>• The addition of 6.00 FTE for enhanced tax compliance (\$1.7 million)</li> <li>• Field office rent increases (\$660,800)</li> <li>• The addition of 2.00 FTE and computer system modifications to address the impacts of a law revision that requires withholding of mineral royalty payments (\$572,900)</li> <li>• Facility renovations to address customer service and workplace safety issues (\$425,000)</li> <li>• The addition of 3.00 FTE to supervise and support out-of-state collectors of state tax debt (\$362,300)</li> </ul> </li> </ul>

- Increased funding for temporary staff during peak tax processing periods (\$355,000)
- The addition of 2.25 FTE GIS staff with one-time funding to support property reappraisals (\$314,500)
- The addition of 3.00 FTE for workload impacts of liquor system reforms (\$279,000)
- ◆ 36.75 FTE were added to the department for the functions mentioned above and 0.50 FTE to address workload issues due to legislation that increased the number of restaurant beer and wine licenses

### Summary of Legislative Action

The legislative budget for total funds is \$34.5 million more than the 2007 biennium and includes funding for HB 2, HB 13, and HB 131. HB 13 funds the pay plan increases for the 2009 biennium and accounts for \$3.7 million of the total fund increase and \$3.5 million of the general fund budget for the biennium. HB 131 funds increases in employer contributions to retirement systems and accounts for \$71,600 of the total funds increase.

The legislative budget expanded current level funding by \$23.0 million, including funding to add 12.25 FTE, statewide adjustments, the state employee pay plan, and costs in other operational areas such as:

- The state computer tax administration system
- Property appraisal staff impacted by rising land parcel numbers
- Increases in rent for statewide office space
- Facilities renovations

In addition to current level funding, the legislative budget includes funding for new initiatives:

- Free electronic tax filing added \$4.7 million
- Enhanced tax compliance added 16.00 FTE and \$7.6 million total funds
- Fiscal impacts of legislation passed by the 2007 Legislature added 8.00 FTE and \$1.2 million total funds

### 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 2009 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Directors Office	\$ 10,191,598	\$ 166,773	\$ 800	\$ 290,823	\$ 10,649,994	9.83%
02 Information Technology & Processing	28,467,762	460,817	264,000	204,008	29,396,587	27.13%
03 Liquor Control Division	-	-	-	3,967,250	3,967,250	3.66%
05 Citizen Services & Resource Mgmt	3,767,310	220,305	-	95,047	4,082,662	3.77%
07 Business And Income Taxes Division	20,424,399	812,207	573,519	-	21,810,125	20.13%
08 Property Assessment Division	38,334,393	100,000	-	-	38,434,393	35.48%
Grand Total	<u>\$ 101,185,462</u>	<u>\$ 1,760,102</u>	<u>\$ 838,319</u>	<u>\$ 4,557,128</u>	<u>\$ 108,341,011</u>	100.00%

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 statewide services of other state agencies through the new hire and one stop revenues. 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 audit and new hire administration functions.

### Other Legislation

Senate Bill 62 - SB 62 of the regular session increased the daily rate paid to advisory board members from \$25 to \$50. SB 62 would add \$1,800 total funds to the biennium costs of the department. No increase over the executive budget was provided to specifically fund the impacts of SB 62 and the costs will be absorbed in the agency's operating budget.

Senate Bill 127 – SB 127 of the regular session revises out-of-state winery access to Montana retailers. The legislative budget includes funding for 2.00 FTE and associated operating costs in a portion of new proposal DP 301 of the Liquor Control Division to address the licensing compliance workload impacts of SB 127.

Senate Bill 296 – SB 296 of the regular session revises the quota system for issuing restaurant beer and wine licenses, revises the number of quota areas, and increases the number of licenses that can be issued in a quota area. Funding to address the increased licensing workload associated with the increased number of licenses is included in the legislative budget through new proposal DP 296 in the Liquor Control Division. For further discussion of the budget impacts, see the decision package description in that division's narrative.

Senate Bill 378 – SB 378 of the regular session standardizes Montana income tax definitions and interpretations with federal law. The fiscal note for SB 378 indicates a cost to the department to maintain current on constantly changing federal tax laws through training. For the 2009 biennium, the training costs are estimated to be \$198,000. The legislative budget does not include any funding to specifically address the training costs of SB 378.

Senate Bill 439 - SB 439 of the regular session requires mineral producers to withhold income tax from mineral royalty payments to individuals, trusts, and business entities who receive more than \$2,000 per year in royalties. The legislative budget provides funding in new proposals DP 439 of the Information Technology and Processing Program and the Business and Income Taxes Division for the costs of supervising and supporting the collectors. For further discussion of the budget impacts, see the decision package descriptions in the narratives of these programs.

House Bill 3 – HB 3 of the regular session approves a supplemental appropriation of \$2.8 million general fund for FY 2007 for the department. The supplemental appropriation is to provide reimbursement of class 8 business equipment tax rate reductions in accordance with 15-1-112, MCA, to local governments. The funding addresses an audit recommendation to record gross tax revenues for 40 mill state equalization aid levy and reimbursements to local governments as an expenditure instead of the past practice of only recording net revenues after local government reimbursements were netted from the 40 mill state equalization aid levy.

House Bill 3 – HB 3 of the special session creates a new property class for certain types of energy-related property and includes an abatement of property taxes on the property and a property tax exemption for land adjacent to new electricity transmission lines. The fiscal note for HB 3 indicates that the department would incur a one-time \$2,500 cost in FY 2008 to create new tax forms. No additional funding is included in the legislative budget to specifically address these fiscal impacts.

House Bill 9 – HB 9 of the special session provides a \$400 rebate for property taxes paid. HB 9 includes an appropriation of general fund to the department of \$1,028,863 to administer the rebate program and authorizes a statutory appropriation to fund the rebate payments during the 2009 biennium.

House Bill 13 - HB 13 of the regular session funds the statewide employee pay plan for the 2009 biennium. HB 13 requires that state employees be placed on the broadband pay plan, provided an annual base salary increase, an additional longevity increase for employees who have completed 10 years of uninterrupted service, and employee health insurance employer contribution increases. HB 13 includes appropriations for the 2009 biennium costs of the pay plan. The HB 13 amounts are included in the tables of this report.

House Bill 113 – HB 113 of the regular session removes the residency requirement for liquor licenses. Funding for HB 113 was included in the executive budget and in HB 2. Funding was added to the budget of the Liquor Control Division as a part of new proposal DP 301 to add 1.00 FTE and associated operating costs to review and approve complex out-of-state and corporation applications of publicly-traded companies that apply for liquor licenses. For further discussion of the budget impacts, see the decision package description in that division's narrative.

House Bill 131 - HB 131 of the regular session increases the employer contribution rates for certain public employee retirement plans. HB 131 includes appropriations for the 2009 biennium costs of the contribution increases. The HB 131 amounts are included in the tables of this report.

House Bill 473 – HB 473 of the regular session eliminated the water adjudication fee imposed by the 2005 Legislature. Elimination of the water adjudication fee reduces the costs of the department by \$140,367, according to the fiscal note for HB 473. Although funding was requested in the executive budget to process the fees, the legislative budget does not include funding to process water adjudication fees.

House Bill 490 – HB 490 of the regular session allows taxpayers who adopt a child to claim a \$1,000 tax credit. The fiscal note for HB 490 indicates a \$2,500 on-time cost in FY 2008 for the department to develop forms for the tax credit. No funding was added to HB 2 for this impact.

House Bill 680 – HB 680 revises tax laws to authorize the department to collect out-of-state delinquent taxes using a professional collection entity. HB 680 authorizes a statutory appropriation to fund contracting costs for out-of-state debt collecting entities. In addition to the contracting costs, the fiscal note for HB 680 indicates that the department would need 3.00 FTE to supervise and support the out-of-state collectors. The legislative budget provides funding in new proposals DP 680 of the Director's Office and the Business and Income Taxes Division for the costs of supervising and supporting the collectors. For further discussion of the budget impacts, see the decision package descriptions in the narratives of these programs.

### Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	611.03	699.03	647.78	(51.25)	713.53	647.78	(65.75)	
Personal Services	24,601,237	32,038,716	32,685,598	646,882	32,730,344	34,064,232	1,333,888	1,980,770
Operating Expenses	10,881,515	21,572,259	21,124,562	(447,697)	21,637,976	20,100,949	(1,537,027)	(1,984,724)
Equipment	181,863	181,863	181,863	0	181,863	181,863	0	0
Local Assistance	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	972	972	972	0	972	972	0	0
Total Costs	\$35,665,587	\$53,793,810	\$53,992,995	\$199,185	\$54,551,155	\$54,348,016	(\$203,139)	(\$3,954)
General Fund	32,716,886	50,202,547	50,445,849	243,302	51,133,873	50,739,613	(394,260)	(150,958)
State/Other Special	616,073	1,026,465	878,558	(147,907)	866,824	881,544	14,720	(133,187)
Federal Special	302,685	404,817	414,330	9,513	404,017	423,989	19,972	29,485
Proprietary	2,029,943	2,159,981	2,254,258	94,277	2,146,441	2,302,870	156,429	250,706
Total Funds	\$35,665,587	\$53,793,810	\$53,992,995	\$199,185	\$54,551,155	\$54,348,016	(\$203,139)	(\$3,954)

The legislative budget is \$4,000 in total funds lower than the executive budget and general fund is \$151,000 lower. Staffing increases in the legislative budget are 65.75 FTE lower than the executive request. Besides the pay plan in HB 13 of the regular session (\$3.8 million) and increases in employer contributions to retirement systems in HB 131 of the regular session (\$71,600), the difference is due to the following (without considering HB 13 and HB 131, the legislative budget in HB 2 is \$3.8 million lower than the executive budget):

- Executive requests were not included or changed as follows:
  - A request for a new initiative to add 6.00 FTE and provide free electronic tax filing was reduced and no FTE were included (\$2.1 million reduction)

- A request to add 8.00 FTE to support department staff administrative functions and address facility issues was reduced to only fund a portion of the facility needs and no FTE were included (\$2.1 million reduction)
- A request to add 6.00 FTE each year to conduct tax gap analysis was not included (\$774,000 reduction)
- A one-time-only initiative to provide geographic information system staff to complete the property tax reappraisal and valuation of agricultural and forest lands was reduced from the requested 8.00 FTE in FY 2008 and 4.50 FTE in FY 2009 to 2.25 FTE per year (\$489,600 reduction)
- A request for ongoing system costs and to add 2.00 FTE to provide support for department computer systems of the department was reduced and no FTE were included (\$383,200 reduction)
- A request for additional funds for temporary staff hired during peak tax processing periods was reduced (\$200,000 reduction)
- A request to add 7.00 FTE legal staff to support tax compliance initiatives was reduced and only funded the addition of 6.00 FTE (\$197,600 reduction)
- A request to add 1.00 FTE to continuously improve tax forms doesn't add any FTE, but funds document printing costs and a toll-free telephone line for citizens to contact the department on tax questions (\$105,000 reduction)
- A request to add 23.00 FTE in FY 2008 and 33.00 FTE in FY 2009 to enhance tax compliance and collection activities was increased, but only added 10.00 FTE (\$1.4 million increase)
- A request to add 24.00 FTE in FY 2008 and 32.00 FTE in FY 2009 to address workload issues of property assessment staff due to increased land parcel counts was increased, but only added 10.00 FTE (\$309,500 increase)
- Items included in the legislative budget that were not in the executive budget of HB 2 and reduce funding:
  - An unspecified reduction (\$200,000)
  - A reduction of funding for payments to State Motor Pool (\$34,500)
- Items included in the legislative budget that were not in executive budget of HB 2 and increase funding:
  - Funding for impacts of SB 439 that requires withholding on natural resource royalty payments (\$572,900 including 2.00 FTE)
  - Funding for impacts of HB 680 that authorizes the department to contract with professionals to collect debt from out-of-state debtors (\$362,300 including 3.00 FTE)
  - Funding for impacts of SB 296 that increases the number of restaurant beer and wine licenses (\$62,800 including 0.50 FTE)

**Program Legislative Budget**

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	39.98	6.00	2.00	47.98	6.00	2.00	47.98	47.98
Personal Services	2,135,090	775,719	242,838	3,153,647	782,207	374,393	3,291,690	6,445,337
Operating Expenses	1,341,768	1,135,902	17,379	2,495,049	358,310	9,530	1,709,608	4,204,657
Local Assistance	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$3,476,858</b>	<b>\$1,911,621</b>	<b>\$260,217</b>	<b>\$5,648,696</b>	<b>\$1,140,517</b>	<b>\$383,923</b>	<b>\$5,001,298</b>	<b>\$10,649,994</b>
General Fund	3,447,790	1,711,167	257,692	5,416,649	948,488	378,671	4,774,949	10,191,598
State/Other Special	0	85,287	0	85,287	81,486	0	81,486	166,773
Federal Special	800	0	0	800	(800)	0	0	800
Proprietary	28,268	115,167	2,525	145,960	111,343	5,252	144,863	290,823
<b>Total Funds</b>	<b>\$3,476,858</b>	<b>\$1,911,621</b>	<b>\$260,217</b>	<b>\$5,648,696</b>	<b>\$1,140,517</b>	<b>\$383,923</b>	<b>\$5,001,298</b>	<b>\$10,649,994</b>

**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
- 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, and analysis of department economic data
- Human resources, payroll, benefits, education, and training of the department

**Program Highlights**

<b>Department of Revenue</b> <b>Director's Office</b> <b>Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Budget adjustments increase total funds by \$3.7 million primarily for:                             <ul style="list-style-type: none"> <li>• The addition of 6.00 FTE for enhanced tax compliance (\$1.7 million)</li> <li>• Statewide present law adjustments (\$937,000)</li> <li>• Facility renovations to address customer service and workplace safety issues (\$425,000)</li> <li>• State employee pay plan adjustments (\$357,000)</li> <li>• The addition of 2.00 FTE to supervise and support out-of-state collectors of state tax debt (\$280,500)</li> </ul> </li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Directors Office						
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2006	FY 2006	FY 2008	FY 2008	FY 2009	FY 2009
<b>01000 Total General Fund</b>	<b>\$ 3,447,790</b>	<b>99.2%</b>	<b>\$ 5,416,649</b>	<b>95.9%</b>	<b>\$ 4,774,949</b>	<b>95.5%</b>
01100 General Fund	3,447,790	99.2%	5,416,649	95.9%	4,774,949	95.5%
<b>02000 Total State Special Funds</b>	-	-	<b>85,287</b>	<b>1.5%</b>	<b>81,486</b>	<b>1.6%</b>
02088 One-Stop And New Hire Admin.	-	-	85,287	1.5%	81,486	1.6%
<b>03000 Total Federal Special Funds</b>	<b>800</b>	<b>0.0%</b>	<b>800</b>	<b>0.0%</b>	-	-
03928 Royalty Audit - Nrct	800	0.0%	800	0.0%	-	-
<b>06000 Total Proprietary Funds</b>	<b>28,268</b>	<b>0.8%</b>	<b>145,960</b>	<b>2.6%</b>	<b>144,863</b>	<b>2.9%</b>
06005 Liquor Division	28,268	0.8%	145,960	2.6%	144,863	2.9%
<b>Grand Total</b>	<b>\$ 3,476,858</b>	<b>100.0%</b>	<b>\$ 5,648,696</b>	<b>100.0%</b>	<b>\$ 5,001,298</b>	<b>100.0%</b>

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 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.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved 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 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					489,880					496,239
Vacancy Savings					(104,997)					(105,254)
Inflation/Deflation					6,999					10,933
Fixed Costs					160,704					(17,563)
<b>Total Statewide Present Law Adjustments</b>					<b>\$552,586</b>					<b>\$384,355</b>
DP 701 - Compliance - Legal	6.00	909,388	85,287	0	994,675	6.00	614,140	81,486	0	695,626
DP 1011 - Fulfill Statutory Responsibilities (OTO)	0.00	300,000	0	0	364,364*	0.00	0	0	0	60,540*
DP 6015 - State Motor Pool Rate Change	0.00	(4)	0	0	(4)	0.00	(4)	0	0	(4)
<b>Total Other Present Law Adjustments</b>	<b>6.00</b>	<b>\$1,209,384</b>	<b>\$85,287</b>	<b>\$0</b>	<b>\$1,359,035*</b>	<b>6.00</b>	<b>\$614,136</b>	<b>\$81,486</b>	<b>\$0</b>	<b>\$756,162*</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$1,911,621*</b>					<b>\$1,140,517*</b>

DP 701 - Compliance - Legal - The legislative budget includes an increase of \$1.7 million combined general fund and state special revenue to add personal services for 6.00 FTE in-house legal resources to support tax compliance activities. Funding is also increased for other operating costs, including funding for contracted legal services. Of the funding, \$23,550 general fund in FY 2008 is designated one time only.

DP 1011 - Fulfill Statutory Responsibilities (OTO) - The legislative budget includes an increase of \$425,000 combined general fund and proprietary funds to remodel existing office space in the Mitchell Building. The legislature designated the funding as one time only.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

**New Proposals**

Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 680 - House Bill No. 680										
01	2.00	144,095	0	0	144,095	2.00	136,372	0	0	136,372
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	110,631	0	0	113,006*	0.00	239,153	0	0	244,205*
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	2,966	0	0	3,116*	0.00	3,146	0	0	3,346*
<b>Total</b>	<b>2.00</b>	<b>\$257,692</b>	<b>\$0</b>	<b>\$0</b>	<b>\$260,217*</b>	<b>2.00</b>	<b>\$378,671</b>	<b>\$0</b>	<b>\$0</b>	<b>\$383,923*</b>

DP 680 - House Bill No. 680 - The legislative budget includes an increase of \$280,500 general fund to add 2.00 FTE to address the impacts of HB 680 that authorizes the department to collect out-of-state debt. Of the funding, \$7,850 in FY 2008 is designated as one time only.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program’s allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

**Language**

The legislative budget included the following language for the Director’s Office, but the Governor subsequently vetoed the language:

“Fulfill Statutory Responsibilities includes funding for a report to the legislative finance committee relevant to goals and objective presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency’s and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision packages 201, 701, 802, 1011, 7013, 7019, and 8012 and new proposal decision package 301. The report must address the following:

- (1) progress toward the goals; and
- (2) attainment of measurable objectives.

If the report is not received by June 30, 2008, Fulfill Statutory Responsibilities is reduced by \$5,000 in general fund money in fiscal year 2009.”

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FTE	99.45	0.00	0.00	99.45	0.00	0.00	99.45	99.45
Personal Services	3,967,446	468,766	197,283	4,633,495	435,300	398,345	4,801,091	9,434,586
Operating Expenses	3,577,687	3,834,014	2,627,096	10,038,797	3,896,424	2,373,689	9,847,800	19,886,597
Equipment	37,702	0	0	37,702	0	0	37,702	75,404
<b>Total Costs</b>	<b>\$7,582,835</b>	<b>\$4,302,780</b>	<b>\$2,824,379</b>	<b>\$14,709,994</b>	<b>\$4,331,724</b>	<b>\$2,772,034</b>	<b>\$14,686,593</b>	<b>\$29,396,587</b>
General Fund	7,020,534	4,407,938	2,820,083	14,248,555	4,435,109	2,763,564	14,219,207	28,467,762
State/Other Special	209,122	20,400	0	229,522	22,173	0	231,295	460,817
Federal Special	92,400	39,600	0	132,000	39,600	0	132,000	264,000
Proprietary	260,779	(165,158)	4,296	99,917	(165,158)	8,470	104,091	204,008
<b>Total Funds</b>	<b>\$7,582,835</b>	<b>\$4,302,780</b>	<b>\$2,824,379</b>	<b>\$14,709,994</b>	<b>\$4,331,724</b>	<b>\$2,772,034</b>	<b>\$14,686,593</b>	<b>\$29,396,587</b>

**Program Description**

The Information Technology and Processing Division provides application development and support services; network services including data, desktop, information security and help desk support; and tax return and payment processing including account examination and maintenance, cashiering, mailroom, and records management services that enable the department to meet its business objectives.

**Program Highlights**

<b>Department of Revenue</b> <b>Information Technology and Processing</b> <b>Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Budget adjustments increase total funds by \$14.2 million primarily for:                             <ul style="list-style-type: none"> <li>• On-going costs for operation and maintenance of the state tax administration system (\$7.5 million)</li> <li>• A new initiative to provide free electronic filing for state taxpayers (\$4.7 million)</li> <li>• Statewide present law adjustments (\$811,000)</li> <li>• State employee pay plan adjustments (\$585,000)</li> <li>• Increased funding for temporary staff during peak tax processing periods (\$355,000)</li> <li>• Tax administration system modifications to address new mineral royalty withholding requirements (\$310,000)</li> </ul> </li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Information Technology &						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 7,020,534</b>	<b>92.6%</b>	<b>\$ 14,248,555</b>	<b>96.9%</b>	<b>\$ 14,219,207</b>	<b>96.8%</b>
01100 General Fund	7,020,534	92.6%	14,248,555	96.9%	14,219,207	96.8%
<b>02000 Total State Special Funds</b>	<b>209,122</b>	<b>2.8%</b>	<b>229,522</b>	<b>1.6%</b>	<b>231,295</b>	<b>1.6%</b>
02088 One-Stop And New Hire Admin.	180,000	2.4%	200,400	1.4%	200,400	1.4%
02110 Accommodation Tax Admin	29,122	0.4%	29,122	0.2%	30,895	0.2%
<b>03000 Total Federal Special Funds</b>	<b>92,400</b>	<b>1.2%</b>	<b>132,000</b>	<b>0.9%</b>	<b>132,000</b>	<b>0.9%</b>
03680 New Hire Admin (Federal Share)	92,400	1.2%	132,000	0.9%	132,000	0.9%
<b>06000 Total Proprietary Funds</b>	<b>260,779</b>	<b>3.4%</b>	<b>99,917</b>	<b>0.7%</b>	<b>104,091</b>	<b>0.7%</b>
06005 Liquor Division	260,779	3.4%	99,917	0.7%	104,091	0.7%
<b>Grand Total</b>	<b>\$ 7,582,835</b>	<b>100.0%</b>	<b>\$ 14,709,994</b>	<b>100.0%</b>	<b>\$ 14,686,593</b>	<b>100.0%</b>

The Information Technology and Processing Division is primarily funded with general fund. State special revenue funds the division's support for one-stop and new hire administration activities. Federal special revenue funds the division's support of federal new hire administration activities. 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.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved 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 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					505,563					518,164
Vacancy Savings					(178,918)					(179,424)
Inflation/Deflation					37,494					37,559
Fixed Costs					31,757					39,103
<b>Total Statewide Present Law Adjustments</b>					<b>\$395,896</b>					<b>\$415,402</b>
DP 201 - On-going System Costs										
0.00	3,584,406	20,400	39,600	3,644,406	0.00	3,764,406	20,400	39,600	3,824,406	
DP 6015 - State Motor Pool Rate Change										
0.00	(43)	0	0	(43)	0.00	(44)	0	0	(44)	
DP 7015 - Processing Returns & Refunds										
0.00	262,521	0	0	262,521	0.00	91,960	0	0	91,960	
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,846,884</b>	<b>\$20,400</b>	<b>\$39,600</b>	<b>\$3,906,884</b>	<b>0.00</b>	<b>\$3,856,322</b>	<b>\$20,400</b>	<b>\$39,600</b>	<b>\$3,916,322</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$4,302,780</b>					<b>\$4,331,724</b>

DP 201 - On-going System Costs - The legislative budget includes an increase of nearly \$7.5 million combined general fund, state special revenue, and federal special revenue to fund ongoing vendor and mid-tier costs of existing tax administration and management systems. Funding includes \$20,000 to upgrade the system used for new hire administration to a new Oracle database version and for personal services costs associated with providing new hire services.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 7015 - Processing Returns & Refunds - The legislative budget includes an increase of nearly \$354,500 general fund to provide pay adjustments and hire and house contracted temporary staff for peak tax processing seasons, between January and May, to provide timely processing of tax returns and payments. Pay adjustments are intended to address recruitment issues for the short-term workers hired for the peak tax processing seasons.

**New Proposals**

Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 202 - Free Electronic Filing										
02	0.00	2,321,011	0	0	2,321,011	0.00	2,370,104	0	0	2,370,104
DP 439 - Senate Bill No. 439										
02	0.00	306,085	0	0	306,085	0.00	3,585	0	0	3,585
DP 6013 - 2009 Biennium Pay Plan - HB 13										
02	0.00	188,327	0	0	192,353*	0.00	384,932	0	0	393,042*
DP 6014 - Retirement Employer Contributions - HB 131										
02	0.00	4,660	0	0	4,930*	0.00	4,943	0	0	5,303*
<b>Total</b>	<b>0.00</b>	<b>\$2,820,083</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,824,379*</b>	<b>0.00</b>	<b>\$2,763,564</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,772,034*</b>

DP 202 - Free Electronic Filing - The legislative budget includes an increase of \$4.7 million general fund to provide free electronic tax filing services to the citizens and businesses of Montana. Of the funding, \$2.0 million in each year is designated as one-time only.

DP 439 - Senate Bill No. 439 - The legislative budget includes an increase of \$309,700 general fund to address the impacts of SB 439 that establishes withholding requirements for natural resource royalty payments. Of the funding, \$300,000 in FY 2008 is designated as one time only and would be used to modify the state tax administration system to administer the new mineral royalty withholdings. HB 2 includes contingency language that would have voided the funding if SB 439 was not passed and approved. SB 439 has become law, so the funding is valid.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

**Program Legislative Budget**

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	25.00	0.00	3.50	28.50	0.00	3.50	28.50	28.50
Personal Services	1,058,366	104,277	193,257	1,355,900	108,568	252,453	1,419,387	2,775,287
Operating Expenses	429,833	82,027	39,484	551,344	84,539	16,801	531,173	1,082,517
Equipment	54,723	0	0	54,723	0	0	54,723	109,446
Transfers	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$1,542,922</b>	<b>\$186,304</b>	<b>\$232,741</b>	<b>\$1,961,967</b>	<b>\$193,107</b>	<b>\$269,254</b>	<b>\$2,005,283</b>	<b>\$3,967,250</b>
Proprietary	1,542,922	186,304	232,741	1,961,967	193,107	269,254	2,005,283	3,967,250
<b>Total Funds</b>	<b>\$1,542,922</b>	<b>\$186,304</b>	<b>\$232,741</b>	<b>\$1,961,967</b>	<b>\$193,107</b>	<b>\$269,254</b>	<b>\$2,005,283</b>	<b>\$3,967,250</b>

**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**

Department of Revenue Liquor Control Division Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ Budget adjustments increase total funds by \$881,000 primarily for:                             <ul style="list-style-type: none"> <li>• Statewide present law adjustments (\$379,000)</li> <li>• The addition of 3.00 FTE for workload impacts of liquor system reforms (\$279,000)</li> <li>• State employee pay plan adjustments (\$151,000)</li> </ul> </li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Liquor Control Division						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>06000 Total Proprietary Funds</b>	<b>\$ 1,542,922</b>	<b>100.0%</b>	<b>\$ 1,961,967</b>	<b>100.0%</b>	<b>\$ 2,005,283</b>	<b>100.0%</b>
06005 Liquor Division	1,542,922	100.0%	1,961,967	100.0%	2,005,283	100.0%
<b>Grand Total</b>	<b>\$ 1,542,922</b>	<b>100.0%</b>	<b>\$ 1,961,967</b>	<b>100.0%</b>	<b>\$ 2,005,283</b>	<b>100.0%</b>

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.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved 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 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					152,720					157,193
Vacancy Savings					(48,443)					(48,625)
Inflation/Deflation					17,575					18,491
Fixed Costs					64,458					66,054
<b>Total Statewide Present Law Adjustments</b>					<b>\$186,310</b>					<b>\$193,113</b>
DP 6015 - State Motor Pool Rate Change	0.00	0	0	0	(6)*	0.00	0	0	0	(6)*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6)*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6)*</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$186,304*</b>					<b>\$193,107*</b>

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

### New Proposals

Program	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 296 - Senate Bill No. 296										
03	0.50	0	0	0	34,436*	0.50	0	0	0	28,384*
DP 301 - Liquor System Reforms										
03	3.00	0	0	0	147,560*	3.00	0	0	0	131,041*
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	0	0	0	46,457*	0.00	0	0	0	104,426*
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	0	0	0	4,288*	0.00	0	0	0	5,403*
<b>Total</b>	<b>3.50</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$232,741*</b>	<b>3.50</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$269,254*</b>

DP 296 - Senate Bill No. 296 - The legislative budget includes an increase of \$62,800 proprietary funds to add 0.50 FTE to address the impacts of SB 296 that increased the number of restaurant beer and wine licenses available in the state.

DP 301 - Liquor System Reforms - The legislative budget includes an increase of \$278,600 liquor control proprietary funds for personal services and operating costs to add 3.00 FTE for workload impacts resulting from changes in residency requirements associated with licensing and compliance of out-of-state breweries and wineries and their access to Montana markets. The appropriation to implement SB 127, which revises out-of-state winery access to Montana retailers, was contingent upon the bill becoming law and is valid as SB 127 has become law.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

**Language**

The legislative budget includes the following language for the division:

"Liquor control 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 \$103 million in fiscal year 2008 and \$112 million in fiscal year 2009.

If 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 most cost-effective, to maintain required service levels to stores. In fiscal year 2008 and in fiscal year 2009, 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 control 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 \$40,000 for each of fiscal years 2008 and 2009."

**Program Legislative Budget**

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	25.00	0.00	0.00	25.00	0.00	0.00	25.00	25.00
Personal Services	1,085,582	62,661	53,151	1,201,394	66,349	106,833	1,258,764	2,460,158
Operating Expenses	599,531	129,475	0	729,006	132,535	0	732,066	1,461,072
Equipment	80,716	0	0	80,716	0	0	80,716	161,432
Local Assistance	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$1,765,829</b>	<b>\$192,136</b>	<b>\$53,151</b>	<b>\$2,011,116</b>	<b>\$198,884</b>	<b>\$106,833</b>	<b>\$2,071,546</b>	<b>\$4,082,662</b>
General Fund	1,464,617	342,430	49,221	1,856,268	347,378	99,047	1,911,042	3,767,310
State/Other Special	103,238	3,547	1,649	108,434	5,347	3,286	111,871	220,305
Proprietary	197,974	(153,841)	2,281	46,414	(153,841)	4,500	48,633	95,047
<b>Total Funds</b>	<b>\$1,765,829</b>	<b>\$192,136</b>	<b>\$53,151</b>	<b>\$2,011,116</b>	<b>\$198,884</b>	<b>\$106,833</b>	<b>\$2,071,546</b>	<b>\$4,082,662</b>

**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 provides support services to the other divisions of the department including operations of the call center, forms design, small business licensing coordination, and abandoned property distribution.

**Program Highlights**

Department of Revenue Citizen Services and Resource Management Major Budget Highlights	
◆	Budget adjustments increase total funds by \$551,000 primarily for: <ul style="list-style-type: none"> <li>• Toll-free telephone access to the department call center and to fund tax document printing costs (\$243,000)</li> <li>• State employee pay plan adjustments (\$157,000)</li> <li>• Statewide present law adjustments (\$148,000)</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Citizen Services & Resou						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 1,464,617</b>	<b>82.9%</b>	<b>\$ 1,856,268</b>	<b>92.3%</b>	<b>\$ 1,911,042</b>	<b>92.3%</b>
01100 General Fund	1,464,617	82.9%	1,856,268	92.3%	1,911,042	92.3%
<b>02000 Total State Special Funds</b>	<b>103,238</b>	<b>5.8%</b>	<b>108,434</b>	<b>5.4%</b>	<b>111,871</b>	<b>5.4%</b>
02025 Unclaimed Property	58,238	3.3%	61,634	3.1%	65,071	3.1%
02088 One-Stop And New Hire Admin.	45,000	2.5%	46,800	2.3%	46,800	2.3%
<b>06000 Total Proprietary Funds</b>	<b>197,974</b>	<b>11.2%</b>	<b>46,414</b>	<b>2.3%</b>	<b>48,633</b>	<b>2.3%</b>
06005 Liquor Division	197,974	11.2%	46,414	2.3%	48,633	2.3%
<b>Grand Total</b>	<b>\$ 1,765,829</b>	<b>100.0%</b>	<b>\$ 2,011,116</b>	<b>100.0%</b>	<b>\$ 2,071,546</b>	<b>100.0%</b>

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.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved 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 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					110,506					114,346
Vacancy Savings					(47,845)					(47,997)
Inflation/Deflation					(1,084)					(1,048)
Fixed Costs					9,179					12,203
<b>Total Statewide Present Law Adjustments</b>					<b>\$70,756</b>					<b>\$77,504</b>
DP 7013 - Citizen Services	0.00	121,380	0	0	121,380	0.00	121,380	0	0	121,380
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$121,380</b>	<b>\$0</b>	<b>\$0</b>	<b>\$121,380</b>	<b>0.00</b>	<b>\$121,380</b>	<b>\$0</b>	<b>\$0</b>	<b>\$121,380</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$192,136</b>					<b>\$198,884</b>

DP 7013 - Citizen Services - The legislative budget includes an increase of nearly \$242,800 general fund to provide toll-free telephone access to the department call center and for printing costs to produce publications and tax documents. The funding is restricted only to these two uses.

**New Proposals**

Program	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
05	0.00	48,005	1,617	0	51,779*	0.00	97,755	3,253	0	105,344*
DP 6014 - Retirement Employer Contributions - HB 131										
05	0.00	1,216	32	0	1,372*	0.00	1,292	33	0	1,489*
<b>Total</b>	<b>0.00</b>	<b>\$49,221</b>	<b>\$1,649</b>	<b>\$0</b>	<b>\$53,151*</b>	<b>0.00</b>	<b>\$99,047</b>	<b>\$3,286</b>	<b>\$0</b>	<b>\$106,833*</b>

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program’s allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

**Program Legislative Budget**

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	123.75	10.00	3.00	136.75	10.00	3.00	136.75	136.75
Personal Services	5,171,666	2,388,485	398,689	7,958,840	2,407,230	692,309	8,271,205	16,230,045
Operating Expenses	1,205,755	1,564,732	(8,188)	2,762,299	1,635,043	(23,017)	2,817,781	5,580,080
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$6,377,421</b>	<b>\$3,953,217</b>	<b>\$390,501</b>	<b>\$10,721,139</b>	<b>\$4,042,273</b>	<b>\$669,292</b>	<b>\$11,088,986</b>	<b>\$21,810,125</b>
General Fund	5,904,476	3,754,274	375,544	10,034,294	3,847,743	637,886	10,390,105	20,424,399
State/Other Special	263,460	136,411	5,444	405,315	131,998	11,434	406,892	812,207
Federal Special	209,485	62,532	9,513	281,530	62,532	19,972	291,989	573,519
<b>Total Funds</b>	<b>\$6,377,421</b>	<b>\$3,953,217</b>	<b>\$390,501</b>	<b>\$10,721,139</b>	<b>\$4,042,273</b>	<b>\$669,292</b>	<b>\$11,088,986</b>	<b>\$21,810,125</b>

**Program Description**

The Business and Income Taxes Division administers the collection of Montana corporation license, natural resource, withholding, personal income, miscellaneous taxes, and industrial and centrally assessed property valuation.

**Program Highlights**

Department of Revenue Business and Income Taxes Division Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ Budget adjustments increase total funds by \$9.1 million primarily for:               <ul style="list-style-type: none"> <li>• The addition of 10.00 FTE for enhanced tax compliance (\$5.9 million)</li> <li>• Statewide present law adjustments (\$1.9 million)</li> <li>• State employee pay plan adjustments (\$800,900)</li> <li>• The addition of 2.00 FTE to address the workload impacts of a law revision that requires withholding of mineral royalty payments (\$263,200)</li> <li>• The addition of 1.00 FTE to supervise and support out-of-state collectors of state tax debt (\$81,900)</li> </ul> </li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Business And Income Taxe							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	FY 2006	FY 2006	FY 2008	FY 2008	FY 2009	FY 2009	
<b>01000 Total General Fund</b>	<b>\$ 5,904,476</b>	<b>92.6%</b>	<b>\$ 10,034,294</b>	<b>93.6%</b>	<b>\$ 10,390,105</b>	<b>93.7%</b>	
01100 General Fund	5,904,476	92.6%	10,034,294	93.6%	10,390,105	93.7%	
<b>02000 Total State Special Funds</b>	<b>263,460</b>	<b>4.1%</b>	<b>405,315</b>	<b>3.8%</b>	<b>406,892</b>	<b>3.7%</b>	
02025 Unclaimed Property	112,980	1.8%	121,814	1.1%	131,294	1.2%	
02088 One-Stop And New Hire Admin.	-	-	163,516	1.5%	152,013	1.4%	
02110 Accommodation Tax Admin	116,490	1.8%	119,985	1.1%	123,585	1.1%	
02432 Oil & Gas Era	33,990	0.5%	-	-	-	-	
<b>03000 Total Federal Special Funds</b>	<b>209,485</b>	<b>3.3%</b>	<b>281,530</b>	<b>2.6%</b>	<b>291,989</b>	<b>2.6%</b>	
03928 Royalty Audit - Nrct	209,485	3.3%	281,530	2.6%	291,989	2.6%	
<b>Grand Total</b>	<b>\$ 6,377,421</b>	<b>100.0%</b>	<b>\$ 10,721,139</b>	<b>100.0%</b>	<b>\$ 11,088,986</b>	<b>100.0%</b>	

The Business and Income Taxes Division is primarily funded with general fund and with some state special revenue and federal special revenue. 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.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved 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 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,019,928					1,038,789
Vacancy Savings					(247,663)					(248,416)
Inflation/Deflation					16,506					19,380
Fixed Costs					133,467					148,937
<b>Total Statewide Present Law Adjustments</b>					<b>\$922,238</b>					<b>\$958,690</b>
DP 6015 - State Motor Pool Rate Change										
0.00 (1,078)			0	0	(1,078)	0.00	(1,108)	0	0	(1,108)
DP 7019 - Compliance - Business and Income Taxes										
10.00 2,753,862			163,516	0	2,917,378	10.00	2,817,999	152,013	0	2,970,012
DP 7020 - Federal Royalty Audit Program										
0.00 0			0	62,532	62,532	0.00	0	0	62,532	62,532
DP 7022 - Child Support Debt Collection Costs										
0.00 52,147			0	0	52,147	0.00	52,147	0	0	52,147
<b>Total Other Present Law Adjustments</b>										
<b>10.00 \$2,804,931</b>			<b>\$163,516</b>	<b>\$62,532</b>	<b>\$3,030,979</b>	<b>10.00</b>	<b>\$2,869,038</b>	<b>\$152,013</b>	<b>\$62,532</b>	<b>\$3,083,583</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$3,953,217</b>					<b>\$4,042,273</b>

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 7019 - Compliance - Business and Income Taxes - The legislative budget includes an increase of \$5.9 million combined general fund and state special revenue to enhance tax compliance activities in Montana. This funding would fund personal services and operating costs to add 10.00 FTE each year to address several key compliance issues in areas such as pass-through entity audits, natural resource audits, issues related to Montana source income, and issues associated with nonresident taxpayers including land sales and abusive tax shelters. Funding will also be used to measure and analyze tax compliance problems to develop performance measures and objectives.

DP 7020 - Federal Royalty Audit Program - The legislative budget includes an increase of about \$125,000 federal special revenue for personal services associated with the Federal Royalty Audit Program to bring funding to the level of the agreement with the federal government.

DP 7022 - Child Support Debt Collection Costs - The legislative budget includes an increase of \$104,300 general fund to fund debt collection costs for collecting overpaid child support payments made to custodial parents and delinquent child support payments from non-custodial parents.

### New Proposals

Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 439 - Senate Bill No. 439										
07	2.00	137,045	0	0	137,045	2.00	126,141	0	0	126,141
DP 680 - House Bill No. 680										
07	1.00	42,876	0	0	42,876	1.00	38,982	0	0	38,982
DP 944 - Unspecified Reduction										
07	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
DP 6013 - 2009 Biennium Pay Plan - HB 13										
07	0.00	239,195	5,318	9,314	253,827	0.00	515,945	11,308	19,770	547,023
DP 6014 - Retirement Employer Contributions - HB 131										
07	0.00	6,428	126	199	6,753	0.00	6,818	126	202	7,146
<b>Total</b>	<b>3.00</b>	<b>\$375,544</b>	<b>\$5,444</b>	<b>\$9,513</b>	<b>\$390,501*</b>	<b>3.00</b>	<b>\$637,886</b>	<b>\$11,434</b>	<b>\$19,972</b>	<b>\$669,292*</b>

DP 439 - Senate Bill No. 439 - The legislative budget includes an increase of \$263,200 general fund to add 2.00 FTE to address the impacts of SB 439 that establishes withholding requirements for natural resource royalty payments. Of the funding, \$11,800 in FY 2008 is designated as one time only. HB 2 includes contingency language that would have voided the funding if SB 439 is not passed and approved. SB 439 has become law, so the funding is valid.

DP 680 - House Bill No. 680 - The legislative budget includes an increase of nearly \$81,900 general fund to add 1.00 FTE to address the impacts of HB 680 that authorizes the department to collect out-of-state debt. Of the funding, \$3,925 in FY 2008 is designated as one time only.

DP 944 - Unspecified Reduction - The legislative budget includes an unspecified reduction of \$100,000 general fund.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

**Proprietary Rates****Proprietary Program Description**

The Collection Services Program 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 program 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 86.0 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. For the 2007 biennium, the legislature provided a \$147,460 general fund, biennial appropriation to augment these proprietary funds to offset the revenue lost from not collecting a fee for the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from non-custodial parents. During the department reorganization, this function was moved from the previous Customer Service Center to the division.

**Proprietary Rate Explanation**

The rate for the 2009 biennium is 5 percent of the amount of delinquent accounts collected by the program, the approved rate is also listed in Section R of HB 2.

**Program Legislative Budget**

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	297.85	12.25	0.00	310.10	12.25	0.00	310.10	310.10
Personal Services	11,183,087	2,633,697	565,538	14,382,322	2,674,207	1,164,801	15,022,095	29,404,417
Operating Expenses	3,726,941	871,126	(50,000)	4,548,067	785,580	(50,000)	4,462,521	9,010,588
Equipment	8,722	0	0	8,722	0	0	8,722	17,444
Debt Service	972	0	0	972	0	0	972	1,944
<b>Total Costs</b>	<b>\$14,919,722</b>	<b>\$3,504,823</b>	<b>\$515,538</b>	<b>\$18,940,083</b>	<b>\$3,459,787</b>	<b>\$1,114,801</b>	<b>\$19,494,310</b>	<b>\$38,434,393</b>
General Fund	14,879,469	3,495,076	515,538	18,890,083	3,450,040	1,114,801	19,444,310	38,334,393
State/Other Special	40,253	9,747	0	50,000	9,747	0	50,000	100,000
<b>Total Funds</b>	<b>\$14,919,722</b>	<b>\$3,504,823</b>	<b>\$515,538</b>	<b>\$18,940,083</b>	<b>\$3,459,787</b>	<b>\$1,114,801</b>	<b>\$19,494,310</b>	<b>\$38,434,393</b>

**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	
◆	Budget adjustments increase total funds by \$8.6 million primarily for: <ul style="list-style-type: none"> <li>• Statewide present law adjustments (\$3.1 million)</li> <li>• The addition of 10.00 FTE to address workload impacts due to increasing numbers of property parcels (\$2.9 million)</li> <li>• State employee pay plan adjustments (\$1.7 million)</li> <li>• Field office rent increases (\$660,800)</li> <li>• The addition of 2.25 FTE GIS staff with one-time funding to support property reappraisals (\$314,500)</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Property Assessment Divi						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 14,879,469</b>	<b>99.7%</b>	<b>\$ 18,890,083</b>	<b>99.7%</b>	<b>\$ 19,444,310</b>	<b>99.7%</b>
01100 General Fund	14,879,469	99.7%	18,890,083	99.7%	19,444,310	99.7%
<b>02000 Total State Special Funds</b>	<b>40,253</b>	<b>0.3%</b>	<b>50,000</b>	<b>0.3%</b>	<b>50,000</b>	<b>0.3%</b>
02320 Property Value. Improv. Fund	40,253	0.3%	50,000	0.3%	50,000	0.3%
<b>Grand Total</b>	<b>\$ 14,919,722</b>	<b>100.0%</b>	<b>\$ 18,940,083</b>	<b>100.0%</b>	<b>\$ 19,494,310</b>	<b>100.0%</b>

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 approved 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 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,797,646					1,839,264
Vacancy Savings					(519,238)					(520,891)
Inflation/Deflation					183,757					197,012
Fixed Costs					52,763					68,702
<b>Total Statewide Present Law Adjustments</b>					<b>\$1,514,928</b>					<b>\$1,584,087</b>
DP 802 - Reappraisal - GIS Staff-OTO										
	2.25	210,280	0	0	210,280	2.25	104,250	0	0	104,250
DP 6015 - State Motor Pool Rate Change										
	0.00	(15,855)	0	0	(15,855)	0.00	(16,300)	0	0	(16,300)
DP 8012 - Maintain Parcel Count Caseload										
	10.00	1,481,608	0	0	1,481,608	10.00	1,440,796	0	0	1,440,796
DP 8021 - PAD Field Office Rent										
	0.00	313,862	0	0	313,862	0.00	346,954	0	0	346,954
<b>Total Other Present Law Adjustments</b>	<b>12.25</b>	<b>\$1,989,895</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,989,895</b>	<b>12.25</b>	<b>\$1,875,700</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,875,700</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$3,504,823</b>					<b>\$3,459,787</b>

DP 802 - Reappraisal - GIS Staff-OTO - The legislative budget includes an increase of \$314,500 general fund for personal services and operating costs to add 2.25 FTE per year to value and classify agricultural and forest land by December 31, 2008. The funding is designated as one time only.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 8012 - Maintain Parcel Count Caseload - The legislative budget includes an increase of \$2.9 million general fund to fund personal services and operating costs to add 10.00 FTE per year to address workload impacts due to increasing numbers of property parcels. Of the FY 2008 appropriation, \$52,333 is designated as one time only.

DP 8021 - PAD Field Office Rent - The legislative budget includes an increase of \$660,800 general fund to pay for office space rent increases for division staff throughout the state.

**New Proposals**

New Proposals											
-----Fiscal 2008-----											
-----Fiscal 2009-----											
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 944 - Unspecified Reduction											
08	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)	
DP 6013 - 2009 Biennium Pay Plan - HB 13											
08	0.00	551,749	0	0	551,749	0.00	1,150,149	0	0	1,150,149	
DP 6014 - Retirement Employer Contributions - HB 131											
08	0.00	13,789	0	0	13,789	0.00	14,652	0	0	14,652	
<b>Total</b>	<b>0.00</b>	<b>\$515,538</b>	<b>\$0</b>	<b>\$0</b>	<b>\$515,538*</b>	<b>0.00</b>	<b>\$1,114,801</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,114,801*</b>	

DP 944 - Unspecified Reduction - The legislative budget includes an unspecified reduction of \$100,000 general fund.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.