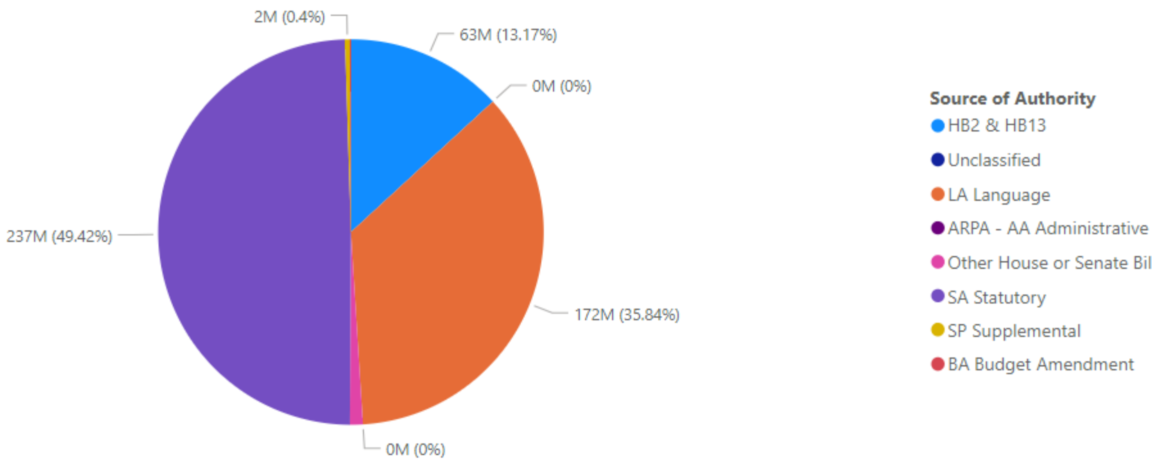
DEPARTMENT OF REVENUE

Total Appropriation Authority

The total appropriation authority for the Department of Revenue is shown in the pie chart below. HB 2 and HB 13 consists of 13.2% of the total authority, but this agency has other types of authority which are described below. Following the pie chart is a graphic that shows the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	FYE23 Modified Budget	FYE23 Expended Budget	Percent Expended
HB2 & HB13	63,184,892	63,082,363	99.8%
BA Budget Amendment	454,762	213,745	47.0%
LA Language	172,000,000	170,121,560	98.9%
Other House or Senate Bill	5,188,638	5,120,994	98.7%
SA Statutory	237,187,688	232,152,898	97.9%
SP Supplemental	1,913,711	1,378,244	72.0%
Unclassified	9,011		
ARPA	2,450	2,450	100.0%
Total	**479,941,152**	**472,072,255**	**98.4%**

Report Period
- ☑ Jul
- ☑ Aug
- ☑ Sep
- ☑ Oct
- ☑ Nov
- ☑ Dec
- ☑ Jan
- ☑ Feb
- ☑ Mar
- ☑ Apr
- ☑ May
- ☑ Jun

Budget Amendments

DOR had one budget amendment totaling approximately $455,000 federal special revenue in FY 2023 for the Federal Royalty Audit Program in the Business and Income Taxes Division (BIT). This program consists of 4.50 FTE who conduct auditing and compliance services for the federal government on producers extracting minerals from federal lands within the state. The agency expended approximately $214,000 or 47.0% as of the 2023 fiscal year end (FYE). These funds will be available until September 30, 2023.

Language

Language appropriations account for 35.8% of the agency's total budget authority. The Alcoholic Beverage Control Division (ABCD) received HB 2 language appropriations of $170.0 million in FY 2023 to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts from the liquor enterprise fund. The Director's Office (DO) received HB 2 language appropriations of $2.0 million in FY 2023 for payments to local governments for property taxes or fees under protest per 15-1-402(6)(d), MCA. The agency has expended approximately $170.1 million ($170.0 million of the ABCD appropriation and $122,000 of the DO appropriation) or 98.9% to date.

Other Bills

Other house and senate bills account for $5.2 million or 1.1% of the total FY 2023 budget authority for DOR. At the 2023 FYE, DOR expended approximately $5.1 million, or 98.7% of other house and senate bill appropriations. Further detail on the various bills is provided below.

HB 13 – State Employee Pay Plan

HB 13 (2023 Legislature) included a one-time, lump-sum payment to state employees. Full-time employees received a payment of $1,040, which was prorated for employees that work less than full-time. This payment was effective in the first full pay period following HB 13 being enacted. The Department of Revenue expended $797,000 in FY 2023 for these lump-sum payouts.

HB 701 – Implementation of recreational and medical marijuana laws

HB 701 was appropriated $4.1 million in FY 2023. During the 2021 Legislative Session, HB 701 was passed which established the Cannabis Control Division (CCD) in the Department of Revenue. The CCD is responsible for administering both recreational and medical marijuana programs. At the 2023 FYE, nearly 100.0% had been expended primarily for personal service and operating costs.

SB 212 – Revision of property tax bills

SB 212 revised laws related to property tax bills by requiring a property tax bill to be itemized by mill levy and to indicate which levies are voted levies, as well as requiring property tax comparison information for the county to be published in local newspapers and provided to property owners with notices of reappraisal. The Department of Revenue was appropriated $7,398 general fund for publication costs. At the 2023 FYE, DOR expended 100.0% of these funds.

SB 191 – Revise State Finance Laws

The 2021 Legislature appropriated $1.5 million in general fund and $1.0 million in state special revenue to the Office of Budget and Program Planning in the Governor's Office for allocations to state agencies, mainly for costs associated with enacted legislation that did not provide appropriations. The Department of Revenue received a total of $247,000 general fund in FY 2023 to carry out the following bills:

- HB 279 – revision of laws related to the Tax Credit Scholarship Program and the Innovative Educational Program. Appropriations total approximately $52,000; all have been expended
- HB 298 – revision of information that must be included on a property valuation statement. Appropriations total approximately $37,000; all have been expended
- HB 705 – revision of the alcohol and gambling law. A one-time-only appropriation totaling approximately $67,000; the agency determined these funds were not needed and thus no expenditures were made
- SB 51 – exempting certain fiber optic or coaxial cable from property taxation. Appropriations total approximately $58,000; all have been expended
- SB 126 – revision of property valuation appeal laws for residential property. Appropriations total $33,000; all have been expended

Of the $247,000 general fund appropriations, $180,000 has been expended by the 2023 FYE.

Statutory Appropriations

Statutory appropriations account for 49.4% of the Department of Revenue's total FY 2023 budget. Of the approximately $237.2 million budgeted in FY 2023, $232.2 million, or 97.9% was expended. Further discussion of statutory appropriations is provided below.

Tribal alcohol and cigarette cooperative agreement (18-11-101 through 18-11-121, MCA)

The State of Montana has taxation agreements with tribal nations for alcohol and cigarette sales to prevent possibilities of dual taxation while promoting state, local and tribal economic development. Appropriations from these agreements total $5.5 million for FY 2023. At the 2023 FYE, $4.5 million, or 81.9% was expended.

Oil and natural gas production tax (15-36-331 through 15-36-332, MCA)

All oil and natural gas producers are required to file an oil and natural gas production tax quarterly return where they will be taxed on the gross value of oil or natural gas sold. Local governments receive a portion of this revenue. Additionally, local governments distribute the revenue to various school retirement funds, countywide transportation funds, school districts, and community colleges. Oil and natural gas-related production tax appropriations total $70.5 million. At FYE, approximately $68.1 million, or 96.6% was expended.

Metal mines distribution (15-37-117, MCA)

Individuals who operate any mine or mining property are required to pay a license tax which is based on the gross value of production. FY 2023 appropriations totaled $6.5 million. A portion of this revenue is distributed semi-annually to local governments where the mine is located or a county that is experiencing fiscal impacts from the mine. At FYE, $5.4 million, or 83.1% had been expended. Appropriations were increased in the fiscal year due to increased revenue collections.

Bentonite production tax distribution (15-39-110, MCA)

All bentonite producers must file a bentonite production tax return every six months. Statutory appropriations for the bentonite production tax total $650,000. This revenue is distributed semi-annually to local governments where the production occurred: Carter County and Carbon County. At FYE, $447,000, or 68.7% had been expended.

Entitlement share (15-1-121, MCA)

During the 2001 Legislative Session, the State of Montana assumed control of alcohol, vehicle, and gambling taxes as well as district court fees for local governments. In return, the state reimburses each local government in the form of an entitlement share. Statutory appropriations for entitlement share payments totaled $153.7 million. By FYE, DOR expended approximately $153.5 million, or approximately 100.0% of the appropriations.

MEDIA Act film production tax credit fee (15-31-1005(7), MCA)

The Montana Legislature established the Montana Economic Development Industry Advancement (MEDIA) Act (2019 Legislative Session) which provides a transferable income tax credit to eligible film production companies. To determine a company's eligibility, they must apply with both the Department of Commerce and the Department of Revenue. Application fee revenue is used for the department to administer the program. For FY 2023, DOR had $20,000 in statutory appropriations and expended $14,000.

Cigarette tax stamps (16-11-119, MCA)

The State of Montana charges a tax on cigarettes sold by selling tax decals to wholesalers who then attach the decal to each pack of cigarettes sold in Montana. For FY 2023, appropriations from this source totaled approximately $66,000, and $26,000 or 39.3% was expended. Appropriations are used to administer this program and cover operating expenses.

Out-of-State Debt Collections (Title 17, Chapter 4, MCA)

The Department of Revenue has contracts with out-of-state attorneys for the out-of-state collections of taxes, fees, and other debts owed to the state. The costs of collection are statutorily appropriated. The FY 2023 appropriation totaled $225,000 and approximately $180,000 was expended by the 2023 FYE.

Supplemental

DOR received two supplemental appropriations in FY 2023. HB 701, 2021 Legislature, did not include authority for the seed-to-sale tracking system which left the Cannabis Control Division in need of $1.8 million. Approximately, $1.2 million was expended from this appropriation authority. Additionally, the Alcoholic Beverage Control Division received $152,000 for additional operating costs. The division expended approximately $138,000.

Unclassified

Per 39-71-403(1)(b)(iv), MCA, when workers' compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriation is not reduced, instead the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

- Reduce HB 2, statutory, and proprietary appropriations

- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

The offsetting entries are identified as "frozen" appropriations, which means the appropriations will not be spent unless authorized by OBPP. The Governor's Office reduced personal services appropriations by $9,011 for workers' compensation premium savings.

HB 2 Budget Modifications

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the ending FYE modified budget. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority.

Legislative Budget Compared to Modified Budget - HB 2 Only

Agency Name	HB 2 Budget	FYE23 Modified Budget	Net Modifications
Department of Revenue	**63,031,604**	**63,184,892**	**153,288**
ALCOHOLIC BEVERAGE CONTROL DIV	3,319,771	3,300,945	-18,826
BUSINESS & INCOME TAXES DIV	12,466,109	11,747,923	-718,186
DIRECTORS OFFICE	8,368,233	7,662,145	-706,088
INFORMATION MGMT & COLLECTIONS	6,774,106	6,096,133	-677,973
PROPERTY ASSESSMENT DIVISION	23,490,940	24,605,762	1,114,822
TECHNOLOGY SERVICES DIVISION	8,612,445	9,771,984	1,159,539
Total	**63,031,604**	**63,184,892**	**153,288**

Acct & Lvl 1 DESC	HB 2 Budget	FYE23 Modified Budget	Net Modifications
61000 Personal Services	47,086,927	46,226,472	-860,455
62000 Operating Expenses	15,649,865	15,333,391	-316,474
63000 Equipment & Intangible Assets	216,083	453,137	237,054
68000 Transfers-out	1,500	28,144	26,644
69000 Debt Service	77,229	1,143,748	1,066,519

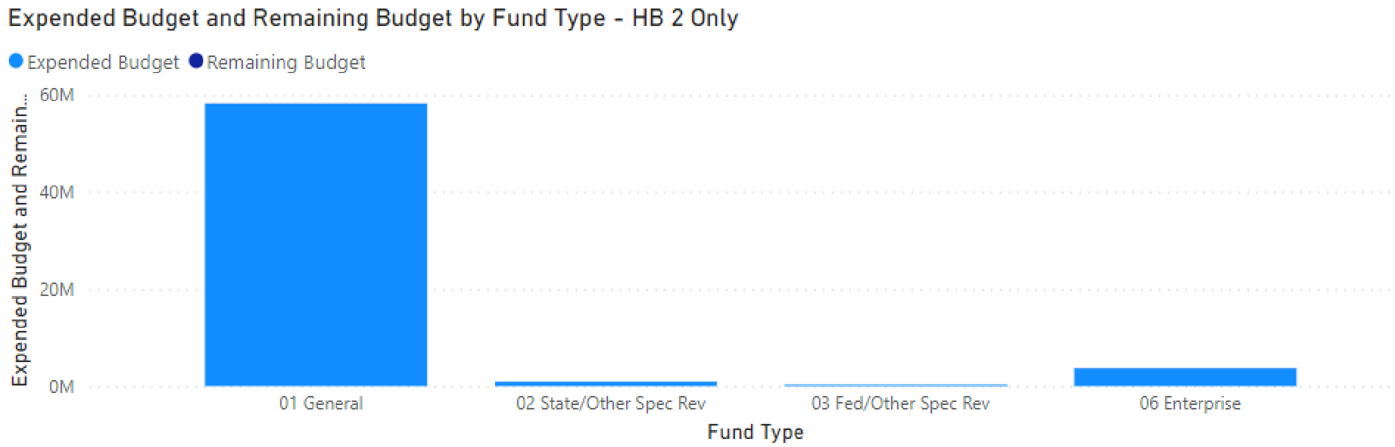
Fund Type	HB 2 Budget	FYE23 Modified Budget	Net Modifications
01 General	58,012,179	58,166,816	154,637
02 State/Other Spec Rev	993,626	993,589	-37
03 Fed/Other Spec Rev	279,839	279,839	
06 Enterprise	3,745,960	3,744,648	-1,312

In FY 2023, the Department of Revenue made numerous changes to its HB 2 budget, including:

- Reallocation of additional 1.0% vacancy savings – During the 2021 Legislative Session, an additional 1.0% vacancy savings was allocated to the Director's Office. Language in HB 2 allowed DOR to reallocate the reduction among the various divisions. The agency redistributed the additional 1.0% vacancy savings to the TSD ($32,000), IMCD ($49,000), BIT ($106,000), and PAD ($217,000), thus reducing those programs FY 2023 budget and increasing the Director's Office budget ($403,000)

- Continuing authority – general fund authority increased by approximately $155,000 primarily due to continuing authority from the biennial legislative audit
- Two reorganizations – the first transferred 9.00 FTE and $833,000 general fund to the Technology Services Division from the Director's Office (7.00 FTE, $665,000 general fund) and the Information Management and Collections Division (2.00 FTE, $168,000 general fund) to place like-function positions in the same program. The second transferred 6.50 industrial appraiser FTE and $544,000 general fund from the Business and Income Taxes Division (BIT) to the Property Assessment Division (PAD) to house all appraiser positions in one program
- Ten program transfers – program transfers were made to transfer positions to appropriate programs and transfer authority to align appropriation authority with expenditures. This includes transferring 3.00 FTE from the Director's Office and 2.00 FTE from BIT to PAD (2.00 FTE), IMCD (2.00 FTE), and BIT (1.00 FTE). General fund appropriation authority in PAD increased by $791,000 and Technology Services Division (TSD) increased by $344,000 while the Director's Office decreased by $606,000, IMCD decreased by $461,000, and BIT decreased by $66,000
- Seven operating plan transfers – operating plan transfers moved authority to the proper expenditure accounts, primarily to properly account for rent leases in the debt services expenditure account. In total, these transfers decreased personal services by $430,000 and operating expenses by $883,000 and increased debt services by $1.1 million, equipment and intangible assets by $221,000, and transfers-out by $27,000
- Workers' compensation premium savings – as previously mentioned, this reduced DOR's HB 2 personal services budget by approximately $9,000

HB 2 Appropriation Authority



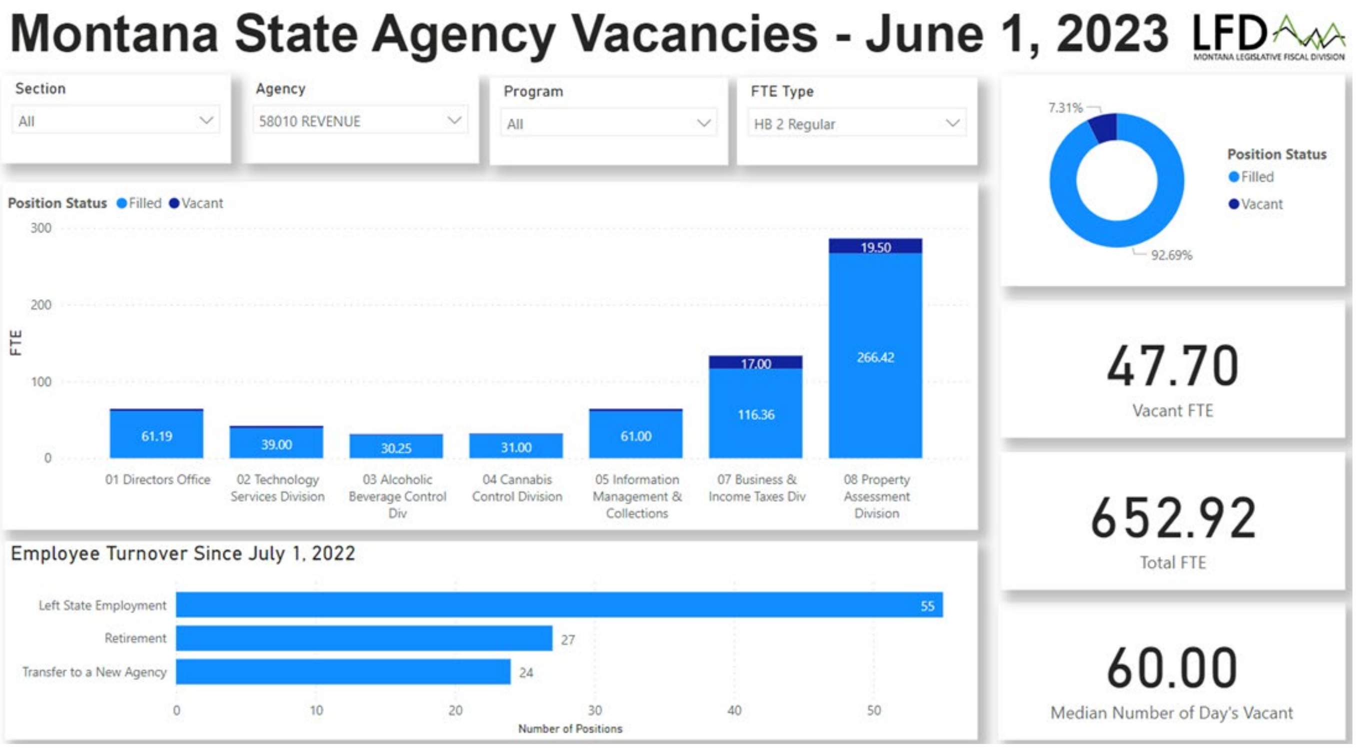
acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	46,226,472	46,165,395	99.9%
Operating Expenses	15,333,391	15,292,873	99.7%
Equipment & Intangible Assets	453,137	453,137	100.0%
Transfers-out	28,144	28,144	100.0%
Debt Service	1,143,748	1,142,815	99.9%

Program Name	Modified Budget	Expended Budget	Percent Expended
ALCOHOLIC BEVERAGE CONTROL DIV	3,300,945	3,246,946	98.4%
BUSINESS & INCOME TAXES DIV	11,747,923	11,744,648	100.0%
DIRECTORS OFFICE	7,662,145	7,659,595	100.0%
INFORMATION MGMT & COLLECTIONS	6,096,133	6,063,036	99.5%
PROPERTY ASSESSMENT DIVISION	24,605,762	24,598,221	100.0%
TECHNOLOGY SERVICES DIVISION	9,771,984	9,769,918	100.0%
Total	**63,184,892**	**63,082,363**	**99.8%**

The Department of Revenue expended 99.8% of its HB 2 appropriation authority in FY 2023. Expenditures were primarily for personal services and operating expenses. Approximately, 92.1% of the Department of Revenue's HB 2 budget is from general fund authority. Remaining authority totals $103,000.

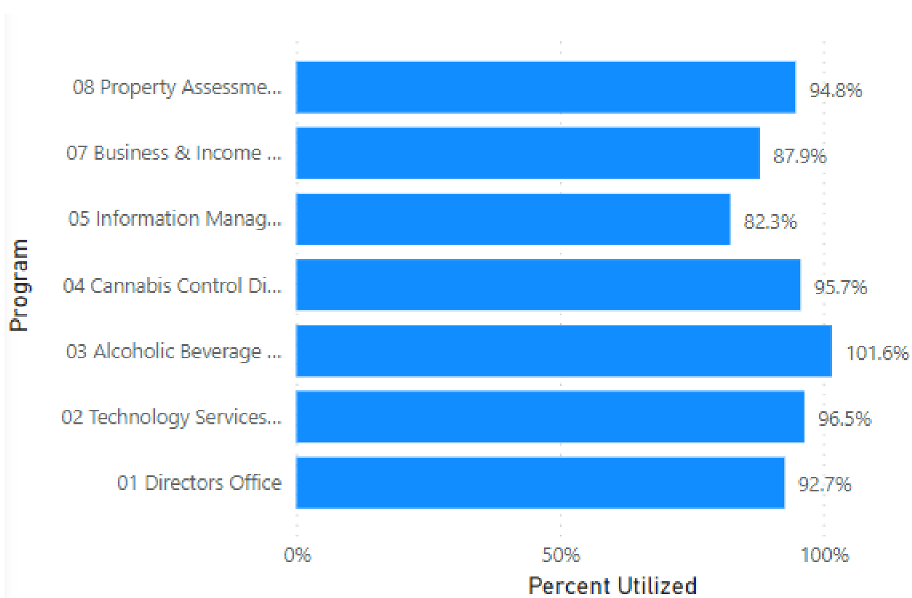
Personal Services

Personal services make up 73.2% of the total HB 2 budget for FY 2023 with $46.2 million or 99.9% expended by the 2023 FYE. The following chart shows the filled and vacant FTE within the agency as of June 1, 2023.



The Department of Revenue had 47.70 FTE vacant out of 652.92 FTE as of June 1, 2023. These vacancies are primarily in the Property Assessment Division for property appraisers. In FY 2023, DOR had 55 employees leave state employment, 27 employees retire, and 24 transfer to different agencies within state government. As of August 1, 2023, DOR had 18 positions being advertised for.

The chart below shows the hourly utilization percentage for each program within the Department of Revenue during FY 2023.



Overall, the Department of Revenue utilized 92.3% of their budgeted hours in FY 2023. Over 100.0% utilization in the Alcoholic Beverage Control Division is due to the high demand for the alcoholic beverage warehouse services, where many employees work overtime hours. Lower hourly utilization in the Information

Management and Control Division and the Business and Income Taxes Division is due to greater employee turnover and vacancies within the divisions.

OTHER ISSUES

Information Technology Project Expenditures

The Department of Revenue had one IT project to update and configure the GenTax system to incorporate the new tax type for recreational marijuana taxation and for administering local option taxes and the various license types required. The Cannabis Control Division began this project on July 1, 2021, with a budget of $3.0 million. The Cannabis Control Division completed this project a month earlier than the estimated delivery date on January 1, 2022, and expended all $3.0 million. The post implementation report indicates that the system enhancement was successful.