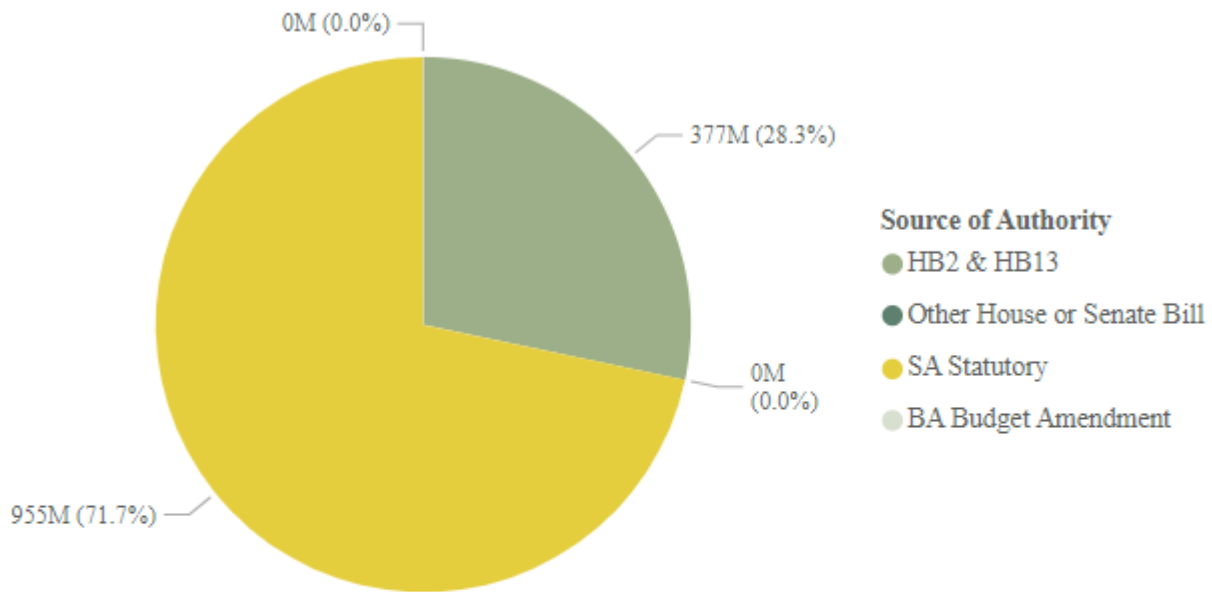


# DEPARTMENT OF REVENUE

## TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the Department of Revenue (DOR) is shown in the pie chart below. HB 2 and HB 13 comprises 28.3% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

### Total Modified Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	% Expended
HB2 & HB13	377,296,471	300,445,332	79.6%
BA Budget Amendment	241,017	24,667	10.2%
Other House or Senate Bill	78,600	76,157	96.9%
SA Statutory	954,709,385	872,926,273	91.4%
<b>Total</b>	<b>1,332,325,473</b>	<b>1,173,472,430</b>	<b>88.1%</b>

## Budget Amendments

The Department of Revenue (DOR) had one budget amendment totaling approximately \$241,000 federal special revenue in FY 2024 for the Federal Royalty Audit Program in the Business and Income Tax 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 \$24,667 or 10.2% as of fiscal year-end (FYE) 2024. These funds were available until the end of the federal fiscal year, September 30, 2023. Low expenditures are due to the 2 grant-based systems and a series of vacancies over the last several years. Most of the unexpended grant authority is due to those vacancies and the corresponding reduction in travel and training costs. The department has also transitioned to performing desk audits when it makes sense which further reduces travel costs.

## **Other Bills**

Other house and senate bills account for \$78,600 of the total FY 2024 budget authority for the DOR. Of that amount, \$76,000 is appropriated in HB 5 for a state line survey project conducted by the U.S. Bureau of Land Management in Mineral County. As of FYE 2024, \$76,000, or 96.9%, has been expended.

## **Statutory Appropriations**

Statutory appropriations account for 71.7% of the Department of Revenue's total FY 2024 budget. Of the approximately \$954.7 million in appropriations, \$872.9 million, or 91.4%, has been expended by FYE 2024. Further detail on each statutory appropriation is provided below.

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

The State of Montana has taxation agreements with tribal nations for alcohol, cigarette, and cannabis sales to prevent possibilities of dual taxation while promoting state, local, and tribal economic development. Appropriations from these agreements totaled \$5.3 million for FY 2024. As of FYE 2024, appropriations were 82.5% 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 totaled \$69.3 million. As of FYE 2024, \$60.9 million, or 88.0% 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. Metal mines distribution appropriations totaled \$9.1 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. As of FYE 2024, \$4.9 million, or 53.8% has been expended.

### ***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 \$1.8 million. The appropriation for this increased by \$400,000 since the last quarterly report due to revenues increasing which needed to be paid to counties where these mines are located. This revenue is distributed semi-annually to the local governments where the production occurred: Carter County and Carbon County. As of FYE 2024, \$1.7 million, or 97.4% has 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 \$162.1 million. Due to the class 8 property tax exemption increase in HB 212 from the 2023 Legislative Session, the appropriation for the entitlement share distribution has increased by \$4.0 million since the Interim Budget Committee meeting in March 2024. This recalculation of the entitlement share distribution is done to avoid a mill shift from class 8 to other classes at the local level. A detailed explanation of this process can be found on the department's [website here](#). As of FYE 2024, DOR expended approximately \$162.0 million, or 99.9% 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 their eligibility, a company 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. As of FYE 2024, DOR had \$20,450 in statutory appropriation authority and had expended \$6,000.

#### ***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. As of FYE 2024, appropriations from this source totaled approximately \$69,100, and approximately \$26,000 was expended. Appropriations are used to administer this program and cover operating expenses.

#### ***Out-of-State Debt Collections (15-1-218, 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 from the general fund for the purpose of this collection. As of FYE 2024, appropriations totaled \$300,000, and approximately \$148,800 was expended.

#### ***Income Tax Rebate (HB 192 & HB 816)***

HB 192 established a state special revenue account for the individual income tax rebate and statutorily appropriated \$480.0 million from the general fund. HB 816 appropriated an additional \$35.0 million from the general fund to this account. The Department of Revenue is charged with administering the

rebate. As of FYE 2024, appropriations totaled \$515.0 million, and approximately \$494.6 million was expended.

**Property Tax Rebate (HB 222 & HB 816)**

HB 222 established an account for the property tax rebate and statutorily appropriated costs related to administration and payment of the rebate. This bill did not define an exact dollar amount for this appropriation but instead defined the initial rebate amount. HB 816 appropriated \$100.0 million general fund for the 2025 biennium to issue property tax rebates. As of FYE 2024, appropriations for FY 2024 totaled \$191.8 million, and approximately \$144.3 million was expended.

**HB 2 BUDGET MODIFICATIONS**

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from June 1, 2024, through FYE 2024. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

**Legislative Budget Compared to Modified Budget - HB 2 Only**

Agency Name	HB 2 Budget	Modified Budget	Net Modifications
<input type="checkbox"/> Department of Revenue <input type="checkbox"/> 01 DIRECTORS OFFICE <input type="checkbox"/> 02 TECHNOLOGY SERVICES DIVISION <input type="checkbox"/> 03 ALCOHOLIC BEVERAGE CONTROL DIV <input type="checkbox"/> 04 CANNABIS CONTROL DIVISION <input type="checkbox"/> 05 INFORMATION MGMT & COLLECTIONS <input type="checkbox"/> 07 BUSINESS & INCOME TAXES DIV <input type="checkbox"/> 08 PROPERTY ASSESSMENT DIVISION <b>Total</b>	377,296,471 10,580,184 10,237,057 223,532,890 86,191,920 7,106,186 13,905,733 25,742,501 <b>377,296,471</b>	377,296,471 9,995,387 11,951,534 223,432,340 86,023,603 6,500,360 13,559,433 25,833,814 <b>377,296,471</b>	0 -584,797 1,714,477 -100,550 -168,317 -605,826 -346,300 91,313 <b>0</b>
<input type="checkbox"/> Expenditure Type <input type="checkbox"/> 61000 Personal Services <input type="checkbox"/> 62000 Operating Expenses <input type="checkbox"/> 63000 Equipment & Intangible Assets <input type="checkbox"/> 65000 Local Assistance <input type="checkbox"/> 68000 Transfers-out <input type="checkbox"/> 69000 Debt Service <b>Total</b>	377,296,471 54,437,716 158,946,965 153,154 2,000,000 160,521,000 1,237,636 <b>377,296,471</b>	377,296,471 53,616,316 156,423,166 2,775,198 2,000,000 161,207,720 1,274,072 <b>377,296,471</b>	0 -821,400 -2,523,799 2,622,044 0 686,720 36,436 <b>0</b>
<input type="checkbox"/> Fund Type <input type="checkbox"/> 01 General <input type="checkbox"/> 02 State/Other Spec Rev <input type="checkbox"/> 03 Fed/Other Spec Rev <input type="checkbox"/> 06 Enterprise <b>Total</b>	377,296,471 64,349,842 88,474,419 502,175 223,970,035 <b>377,296,471</b>	377,296,471 64,349,842 88,474,419 502,175 223,970,035 <b>377,296,471</b>	0 0 0 0 <b>0</b>

The Department of Revenue made several budget modifications from June 1, 2024, to FYE 2024. The first budget modification was a program transfer which incorporated moving \$806,000 from the Directors Office, \$598,100 from the Information Management and Collections Division, and \$346,700 from to Business and Income Tax Division all to the Technology Services Division. Of the \$1.8 million moved within this program transfer, \$813,800 was in personal services with the remaining \$937,000

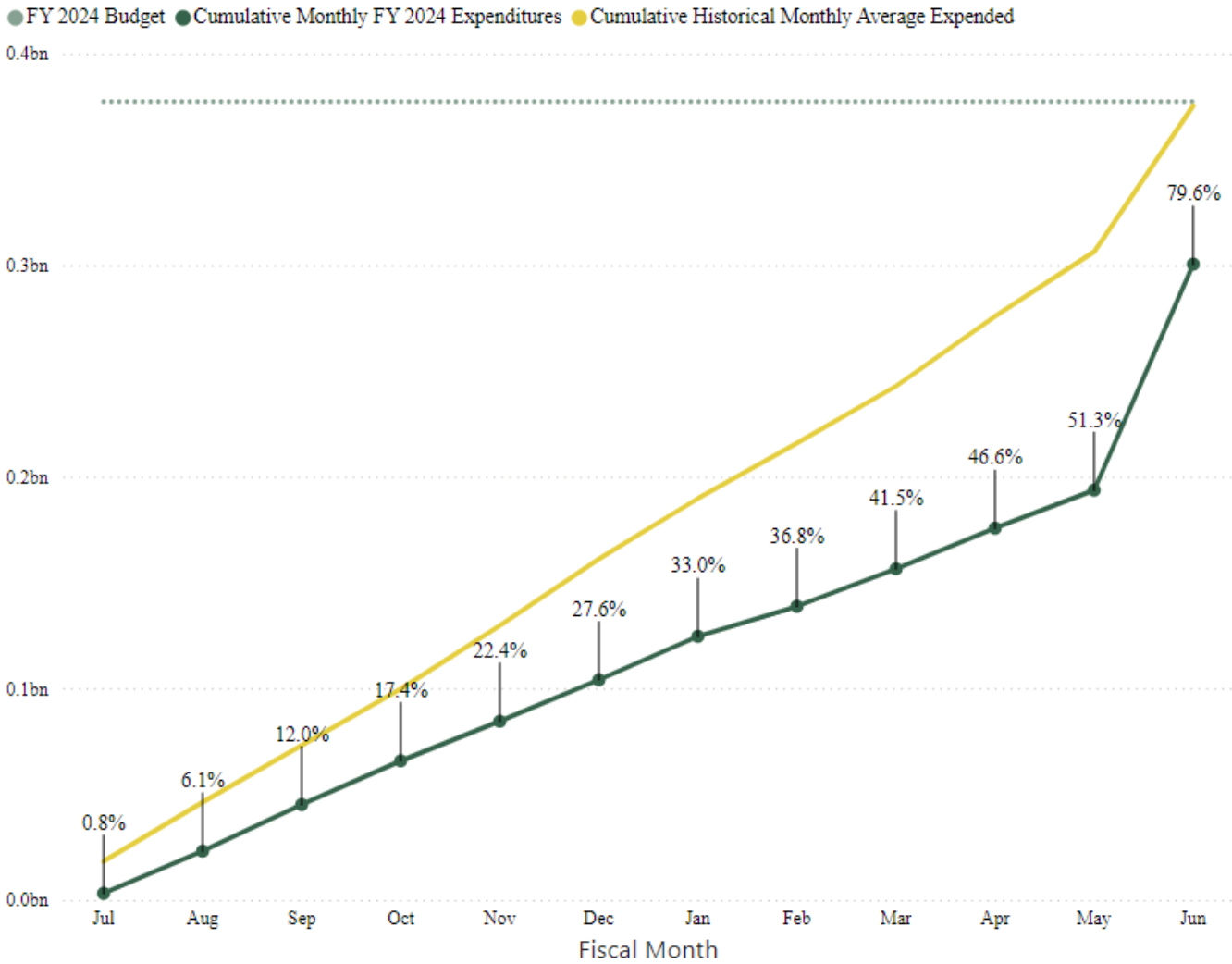
being in operating expenses. The next budget modification made by DOR was a program transfer which moved funds from amongst multiple divisions to account for budget shortfalls. All of the funds transferred (approximately \$114,000) were from operating expenses with the majority going to personal services. This program transfer incorporated funds from the Directors Office, Technology Services Division, Cannabis Control Division, Information Management and Collections Division, Business and Income Tax Division, and Property Assessment Division. The next program transfer made by the agency was to move \$100,000 in personal services and \$120,000 in operating expenses to the Technology Services Division and Property Assessment Division to cover budget deficits and accrue costs relating to tax processing software. The final program transfer made by the agency during this time period was to move operating expenses from the Alcohol and Beverage Control Division to equipment and intangible assets within the Technology Services Division to accrue expenses relating to Mecalux, a new warehouse software. Due to capitalization requirements, the expenses for these are required to be recorded within equipment and intangible assets even though the budget lies within operating expenses.

The Department of Revenue also made five operating plan budget modifications between June 1, 2024, and FYE 2024. The first operating plan change moved operating expenses to personal services within the Alcohol and Beverage Control Division and an additional \$175,000 of operating expenses to equipment and intangible assets within the Technology Services Division. This modification was done to cover a budget shortfall in personal services as well as correctly accrue expenses relating to the new warehouse software, Mecalux. The next operating plan change shifted \$25,000 from personal services to operating expenses within the Business and Income Tax Division. Another operating plan change made by the agency moved \$1.5 million from operating expenses to equipment and intangible assets within the Technology Services Division. Within the same budget modification, the Information Management and Collections Division also moved \$43,000 in operating expenses and \$27,000 in personal services to equipment and intangible assets, as well as the Property Assessment Division moving \$15,000 in operating expenses to equipment and intangible assets. The next operating plan change made by the agency was to move appropriations from operating expenses to transfers in the amount of \$687,000. This was done to be able to transfer appropriations to the Department of Labor and Industry for the e-Stop Program. This program enables a business to purchase needed licenses, across multiple divisions, in one area. The final operating plan change made by DOR was the movement of appropriations from operating expenses into debt service across multiple divisions to account for changes in state accounting requirements. This change was made to properly record lease payments within debt services, instead of operating expenses, as it was previously done.

## HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through FYE 2024.

### Monthly Expenditures Compared to Historical Average



Program Name	Modified Budget	Expended Budget	% Expended
01 DIRECTORS OFFICE	9,995,387	7,859,226	78.6%
02 TECHNOLOGY SERVICES DIVISION	11,951,534	11,854,870	99.2%
03 ALCOHOLIC BEVERAGE CONTROL DIV	223,432,340	177,129,136	79.3%
04 CANNABIS CONTROL DIVISION	86,023,603	57,788,482	67.2%
05 INFORMATION MGMT & COLLECTIONS	6,500,360	6,463,109	99.4%
07 BUSINESS & INCOME TAXES DIV	13,559,433	13,542,593	99.9%
08 PROPERTY ASSESSMENT DIVISION	25,833,814	25,807,916	99.9%
<b>Total</b>	<b>377,296,471</b>	<b>300,445,332</b>	<b>79.6%</b>

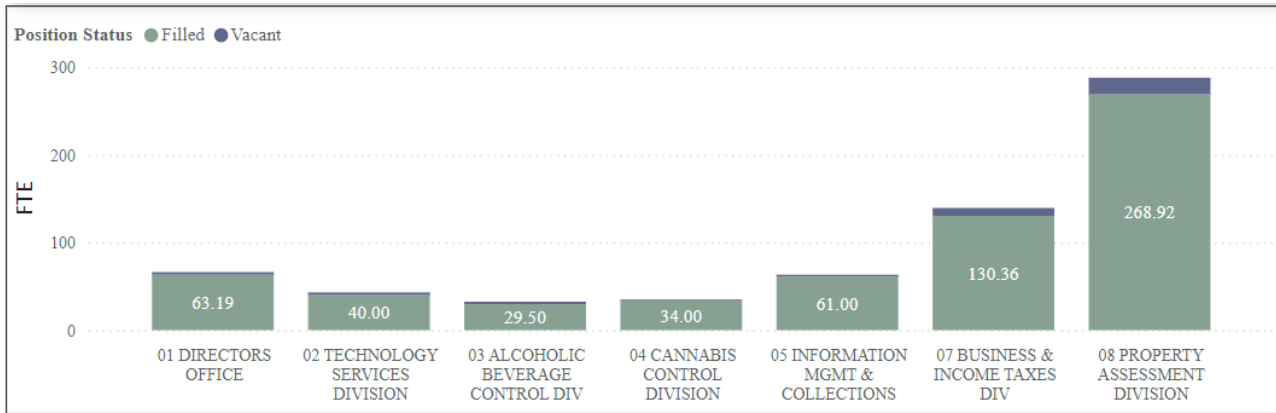
Expenditure Type	Modified Budget	Expended Budget	% Expended
Personal Services	53,616,316	53,482,110	99.7%
Operating Expenses	156,423,166	134,710,265	86.1%
Equipment & Intangible Assets	2,775,198	2,774,829	100.0%
Local Assistance	2,000,000		
Transfers-out	161,207,720	108,204,084	67.1%
Debt Service	1,274,072	1,274,044	100.0%
<b>Total</b>	<b>377,296,471</b>	<b>300,445,332</b>	<b>79.6%</b>

Fund Type	Modified Budget	Expended Budget	% Expended
01 General	64,349,842	62,068,374	96.5%
02 State/Other Spec Rev	88,474,419	60,208,321	68.1%
03 Fed/Other Spec Rev	502,175	502,175	100.0%
06 Enterprise	223,970,035	177,666,462	79.3%
<b>Total</b>	<b>377,296,471</b>	<b>300,445,332</b>	<b>79.6%</b>

As of FYE 2024, the agency expended 79.6% of their modified HB 2 appropriation authority. The lower percent expended for DOR is centralized in three different divisions, the Directors Office, Alcohol and Beverage Control Division, and Cannabis Control Division. Within the Directors Office, there is \$2.0 million in unexpended authority that was to be used towards centrally assessed protested tax valuations. This was not utilized as it was not needed during FY 2024. Lower-than-expected expenditures for the Alcohol Beverage Control Division were due to revenues being less than the expected. According to the agency, the bulk of this authority lied within the transfer appropriation authority to be sent from the liquor enterprise fund to the general fund. In discussion with the agency, expenditures were lower than anticipated in the Cannabis Control Division due to the extension of a moratorium on providers licenses that transition from the state's medical marijuana system to the recreational marijuana market. The moratorium was extended from June 2023 to June 2025; with this extension, the number of marijuana licensees has not increased as anticipated. As the agency's contractor is paid partially on the number of marijuana licensees, the extension of the moratorium has limited the amount in payments to the contractor from the restricted appropriation.

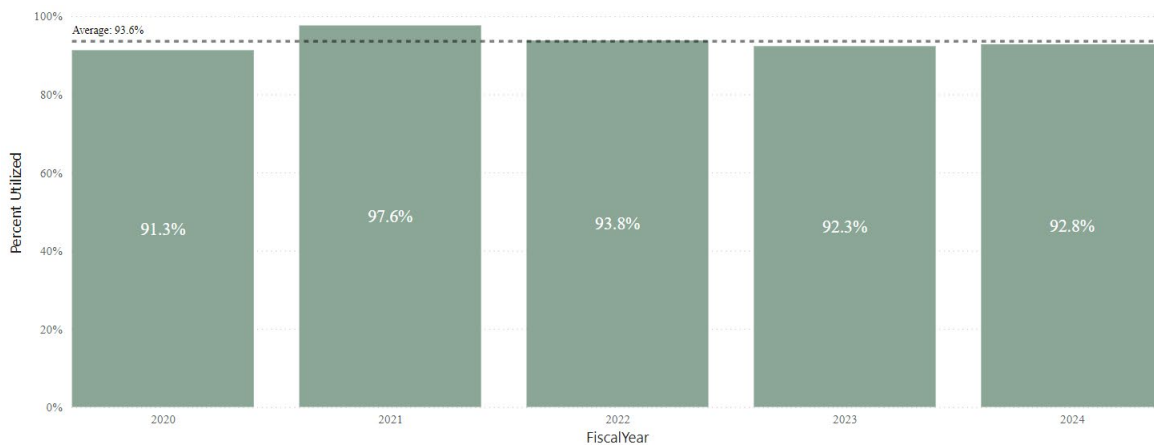
## Personal Services

Appropriations for personal services in the Department of Revenue totaled \$53.6 million and were 99.7% expended through FYE 2024. The department had 667.17 HB 2 FTE, excluding aggregate positions, and 94.0% of these positions were filled as of July 1, 2024. The following chart shows the filled and vacant FTE within the agency.



The Department of Revenue had 40.20 FTE vacant as of July 1, 2024, these vacancies were primarily in the Property Assessment (18.00 FTE vacant) and Business and Income Tax Divisions (9.00 FTE vacant). Within the Property Assessment Division, 10.00 FTE vacant were property appraisers. According to the agency, the main reasons behind the vacancies were due to entry-level pay in high cost of living areas, along with heavy workload. The agency is currently promoting the state's benefit plan, flexible work schedules, and alleviating safety concerns through public education to aid in recruiting efforts for these roles. Within the Business and Income Tax Division, the majority of their vacancies were auditing technicians. This position is often difficult to fill due to this being an entry-level role. The agency has updated the auditing technician career ladder in an effort to make it easier to fill these roles.

The chart below shows the hourly utilization percentage for the Department of Revenue between July 1 and June 30 for each fiscal year when compared to the available hours for the same time period. Overall, the Department of Revenue utilized 92.8% of its available hours as of July 1, 2024, which lies very close to the five-year average of 93.6%.





The chart below shows the vacant FTE in each division, the number of months each position has been vacant, and the midpoint hourly pay rate. The chart below presents data generated using a slightly different timing convention compared to the rest of the vacancy charts. As a result, there may be a slight variance in the total FTE that were vacant. Of the 39.20 FTE that were vacant, 1.20 FTE have been vacant for more than 12 months. According to the agency, of the 39.20 FTE that were vacant, they were actively recruiting for 21.42 FTE. In this active recruitment, 5.00 FTE will be posted soon as the agency was waiting for FYE end to do so. Along with this, the agency also has 6.45 FTE that are used for seasonal workers during tax season and will be vacant until that time.

	FTE	Median Months Vacant	Market Midpoint (Hourly)
<b>58010 REVENUE</b>	<b>39.20</b>	<b>1.90</b>	<b>24.97</b>
<b>01 DIRECTORS OFFICE</b>	<b>3.00</b>	<b>1.02</b>	<b>20.09</b>
Bankruptcy Unit Manager	1.00	1.02	30.17
Customer Service Assistant 2	1.00	3.97	17.28
Customer Service Rep 3	1.00	0.07	20.09
<b>02 TECHNOLOGY SERVICES DIVISION</b>	<b>3.00</b>	<b>0.98</b>	<b>31.02</b>
Miscellaneous Applications Sup	1.00	13.84	43.39
System Specialist	1.00	0.98	31.02
Systems Technician	1.00	0.52	25.33
<b>03 ALCOHOLIC BEVERAGE CONTROL DIV</b>	<b>3.00</b>	<b>1.44</b>	<b>22.04</b>
License Examiner 1	3.00	1.44	22.04
<b>04 CANNABIS CONTROL DIVISION</b>	<b>1.00</b>	<b>6.72</b>	<b>42.55</b>
Cannabis Laboratory Specialist	1.00	6.72	42.55
<b>05 INFORMATION MGMT &amp; COLLECTIONS</b>	<b>2.20</b>	<b>7.54</b>	<b>18.37</b>
Collections Technician	0.20	86.36	18.37
Data Processor 3	1.00	7.54	19.45
Data Processor II	1.00	0.52	15.84
<b>07 BUSINESS &amp; INCOME TAXES DIV</b>	<b>9.00</b>	<b>1.90</b>	<b>24.97</b>
Audit Research Technician Lead	1.00	2.00	26.38
Auditing Technician	2.00	2.74	24.97
Auditing Technician 2	3.00	0.07	24.97
Property Appraiser 3	1.00	10.95	31.39
Tax Examiner 1	1.00	9.70	25.45
Tax Examiner 3	1.00	0.30	35.94
<b>08 PROPERTY ASSESSMENT DIVISION</b>	<b>18.00</b>	<b>1.90</b>	<b>28.05</b>
Area Manager	1.00	0.98	30.96
GIS Analyst-1	1.00	2.13	36.64
Program Manager	1.00	0.98	51.21
Prop. Valuation Support Tech	2.00	1.33	24.08
Property Appraiser 1	5.00	1.44	23.60
Property Appraiser 2	3.50	1.44	28.05
Property Appraiser 3	1.50	4.66	31.39
Property Valuation Spclst 3	1.00	0.62	29.34
Property Valuation Support Tec	1.00	1.90	24.08
Sr. Systems & Program Dev.	1.00	3.70	42.74
<b>Total</b>	<b>39.20</b>	<b>1.90</b>	<b>24.97</b>

## OTHER ISSUES & APPENDIX

### Appendix A

**Did the agency utilize contractors in FY 2024? If so, how much did you pay to contractors? How much of the amount paid to contractors do you estimate is due to vacant positions? If contractors were paid because of vacant positions, what are the types of vacant positions that resulted in the need for contractors?**

The below table was provided by the agency when asked this appendix question. This table has been consolidated from the original version. A more detailed outlay of each contractor and description of their work, as provided by the agency, can be available upon request.

Department of Revenue Payments to Contractors 7/4/2023-7/31/2024	
Contractor Category	FY 2024 Paid
General Operations	\$196,860
Janitorial Contracts	25,091
Tax Processing	3,444,691
Alcoholic Beverage Control Contracts	2,737,147
Cannabis Control Contracts	554,320
Property Assessment Contracts	1,110,120
Unclaimed Property Contracts	118,671
Leases/Rentals	2,089,836
Temporary Hires	125,500
<b>Total Paid to Contractors</b>	<b>\$10,402,237</b>

**How much did you pay in overtime? How much of the overtime paid do you estimate is due to vacant positions? If overtime was paid because of vacant positions, what are the types of vacant positions that resulted in the need for overtime?**

The below chart was provided by the agency when asked this appendix question when looking at FYE 2024.

Division	Overtime Pd Due to Vacancies	Comp Time Earned	Vacant Position Type Resulting in Comp Time Earned
Director's Office	None	71% due to workload 13% rebates 16% due to vacancies	Customer service representative Paralegal Accountant Administrative assistant
Technology Services	None	28% due to workload 60% rebates 12% due to vacancies	Compliance specialist System administrator Information protection specialist
Alcoholic Beverage Control	None	100% due to workload	NA
Cannabis Control	None	100% due to workload	NA
Information Management & Collections	None	93% due to workload 6% rebates 1% due to vacancies	Unit manager Management/research analyst Data entry
Business & Income Taxes	None	69% due to workload 18% rebates 13% due to vacancies	Tax examiner Auditing technician
Property Assessment	8%	60% due to workload 5% rebates 35% due to vacancies	Appraiser Property valuation specialist Business analyst