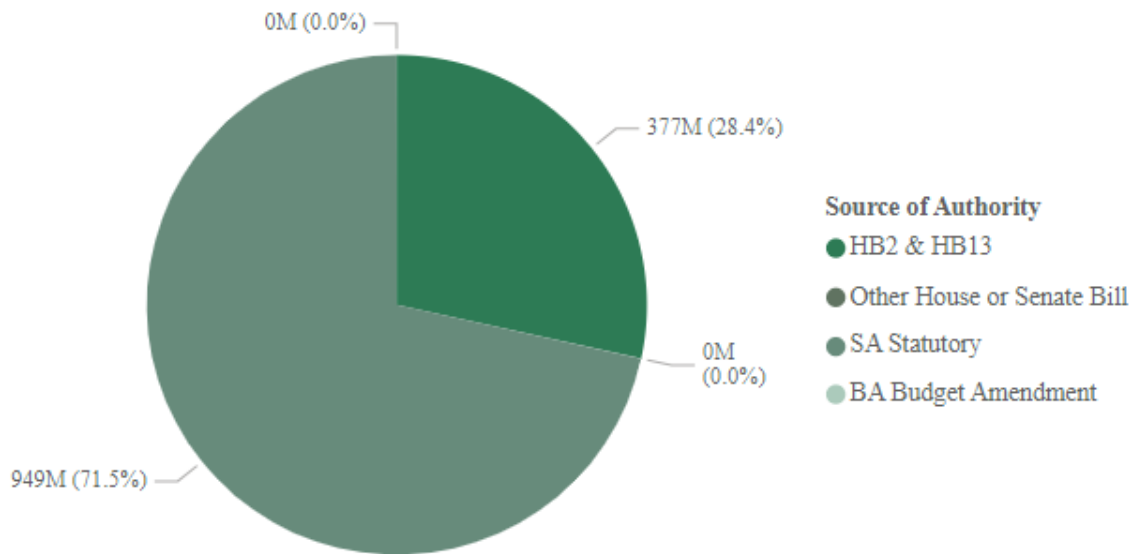


DEPARTMENT OF REVENUE

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 28.4% 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	138,767,133	36.8%
BA Budget Amendment	241,017	2,420	1.0%
Other House or Senate Bill	78,600		
SA Statutory	949,346,385	736,133,674	77.5%
Total	1,326,962,473	874,903,228	65.9%

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 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 \$2,400 or 1.0% as of March 1, 2024. These funds were available until the end of the federal fiscal year, September 30, 2023.

Other Bills

Other house and senate bills account for \$78,600 of the total FY 2024 budget authority for DOR. Of that, \$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. No expenditures have been made as of March 1, 2024.

Statutory Appropriations

Statutory appropriations account for 71.5% of the Department of Revenue's total FY 2024 budget. Of the approximately \$949.3 million budgeted in FY 2024, \$736.1 million or 77.5% has been expended as of March 1, 2024. 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 \$5.2 million for FY 2024. As of March 1, 2024, \$2.3 million, or 45.3% 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 \$69.2 million. As of March 1, 2024, \$15.9 million, or 23.0% 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 total \$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 March 1, 2024, there has been no expenditures.

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. As of March 1, 2024, there has been no expenditures.

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 \$158.1 million. As of March 1, 2024, DOR expended approximately \$79.1 million, or 50.0% 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. As of March 1, 2024, DOR has \$20,450 in statutory appropriation authority and has expended \$0.

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 March 1, 2024, appropriations from this source total approximately \$69,100, and approximately \$15,000 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. As of March 1, 2024, appropriations total \$300,000 and approximately \$86,000 was expended.

Income Tax Rebate (HB 192 & HB 816)

HB 192 established an account for the individual income tax rebate and statutorily appropriated \$480.0 million general fund. HB 816 appropriated an additional \$35.0 million general fund to this account. The Department of Revenue is charged with administering the rebate. As of March 1, 2024, appropriations total \$515.0 million and approximately \$494.5 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, instead it defined the initial rebate amount. HB 816 appropriated \$100.0 million general fund for the 2025 biennium to issue property tax rebates. As of March 1, 2024, appropriations for FY 2024 total \$191.8 million and approximately \$144.2 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 December 1, 2023 through February 29, 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.

Agency Name	HB 2 Budget	Modified Budget	Net Modifications
Department of Revenue	377,296,471	377,296,471	0
01 DIRECTORS OFFICE	10,580,184	10,580,184	
02 TECHNOLOGY SERVICES DIVISION	10,210,047	10,237,057	27,010
03 ALCOHOLIC BEVERAGE CONTROL DIV	223,532,890	223,532,890	
04 CANNABIS CONTROL DIVISION	86,191,920	86,191,920	
05 INFORMATION MGMT & COLLECTIONS	7,133,196	7,106,186	-27,010
07 BUSINESS & INCOME TAXES DIV	13,905,733	13,905,733	
08 PROPERTY ASSESSMENT DIVISION	25,742,501	25,742,501	
Total	377,296,471	377,296,471	0

Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
61000 Personal Services	54,437,716	54,437,716	0
62000 Operating Expenses	158,966,465	158,946,965	-19,500
63000 Equipment & Intangible Assets	153,154	153,154	
65000 Local Assistance	2,000,000	2,000,000	
68000 Transfers-out	160,501,500	160,521,000	19,500
69000 Debt Service	1,237,636	1,237,636	
Total	377,296,471	377,296,471	0

Fund Type	HB 2 Budget	Modified Budget	Net Modifications
01 General	64,349,842	64,349,842	0
02 State/Other Spec Rev	88,474,419	88,474,419	
03 Fed/Other Spec Rev	502,175	502,175	
06 Enterprise	223,970,035	223,970,035	
Total	377,296,471	377,296,471	0

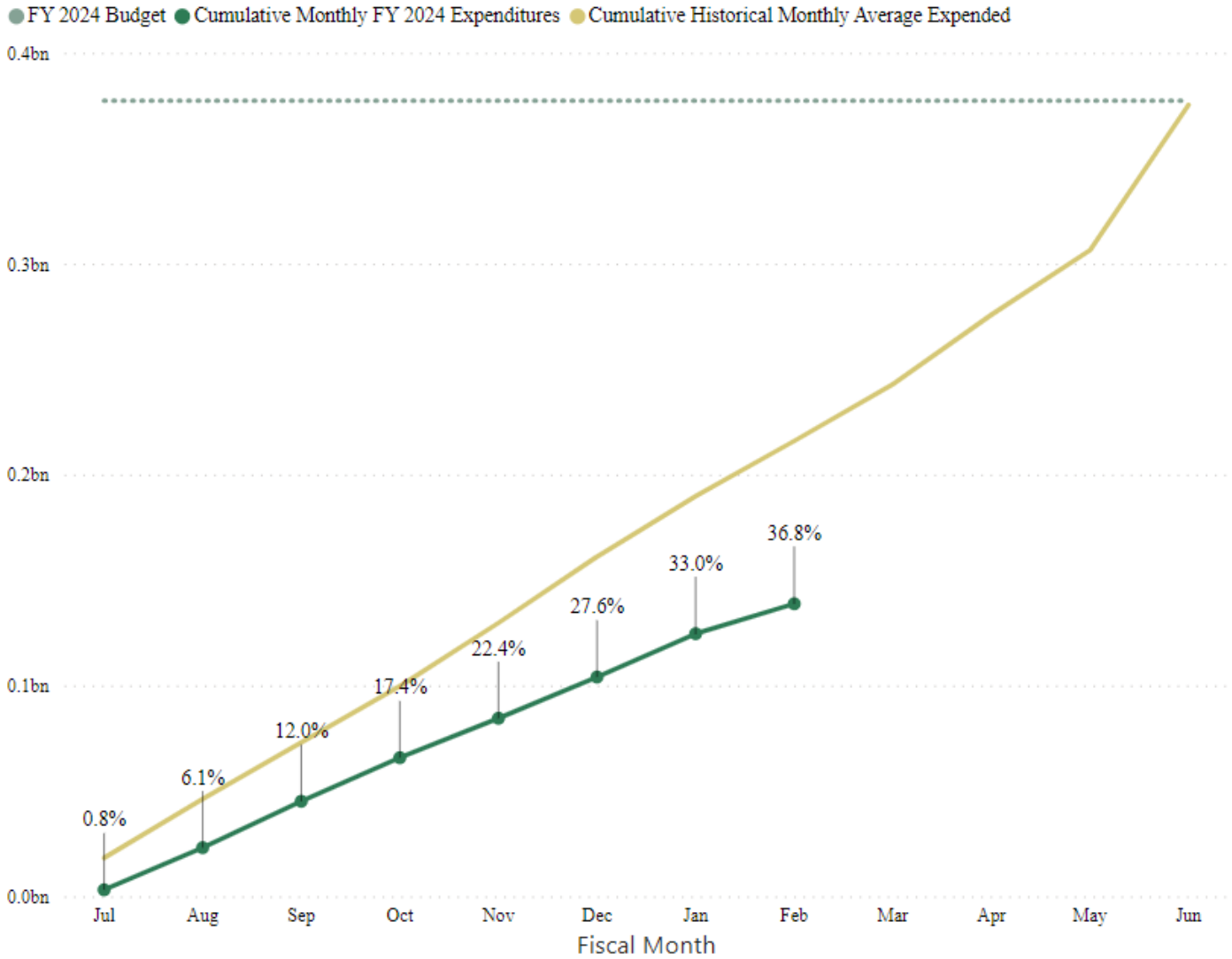
From December 1, 2023 to March 1, 2024, the Department of Revenue made the following changes to its HB 2 budget:

- Moving 1.00 FTE and associated personal services from the Information Management & Collections Division to the Technology Services Division, to help with administrative workload
- Moving \$19,500 in the Technology Services Division from operating expenses to transfers-out. The department transferred authority to be able to make a transfer to the Department of Labor and Industry (DOLI) based on a Memorandum of Understanding (MOU). This is a project led by DOLI to update software used for small business licensing

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through March 1, 2024.

Monthly Expenditures Compared to Historical Average



Program Name	Modified Budget	Expended Budget	% Expended
01 DIRECTORS OFFICE	10,580,184	4,766,614	45.1%
02 TECHNOLOGY SERVICES DIVISION	10,237,057	4,047,917	39.5%
03 ALCOHOLIC BEVERAGE CONTROL DIV	223,532,890	99,284,642	44.4%
04 CANNABIS CONTROL DIVISION	86,191,920	2,352,985	2.7%
05 INFORMATION MGMT & COLLECTIONS	7,106,186	3,812,026	53.6%
07 BUSINESS & INCOME TAXES DIV	13,905,733	8,467,173	60.9%
08 PROPERTY ASSESSMENT DIVISION	25,742,501	16,035,777	62.3%
Total	377,296,471	138,767,133	36.8%

Expenditure Type	Modified Budget	Expended Budget	% Expended
Personal Services	54,437,716	32,910,121	60.5%
Operating Expenses	158,946,965	80,072,709	50.4%
Equipment & Intangible Assets	153,154	61,300	40.0%
Local Assistance	2,000,000		
Transfers-out	160,521,000	24,825,268	15.5%
Debt Service	1,237,636	897,735	72.5%
Total	377,296,471	138,767,133	36.8%

Fund Type	Modified Budget	Expended Budget	% Expended
01 General	64,349,842	35,950,201	55.9%
02 State/Other Spec Rev	88,474,419	3,231,920	3.7%
03 Fed/Other Spec Rev	502,175	300,370	59.8%
06 Enterprise	223,970,035	99,284,642	44.3%
Total	377,296,471	138,767,133	36.8%

As of March 1, 2024, the Department of Revenue has expended 36.8% of its HB 2 appropriation authority. As shown in the top chart, the Department of Revenue has expended less than the historic five-year average of 57.2%. This lower expenditure is due to the inclusion of authority that has traditionally been under language appropriation authority. This authority includes \$220.0 million proprietary authority in the Alcoholic Beverage Control Division, \$81.0 million state special revenue in the Cannabis Control Division, and \$2.0 million general fund in the Director's Office. When excluding authority that has traditionally been under language authority, the Department of Revenue has expended approximately 53.4% of its HB 2 authority as of March 1, 2024, which closely aligns with the historical average.

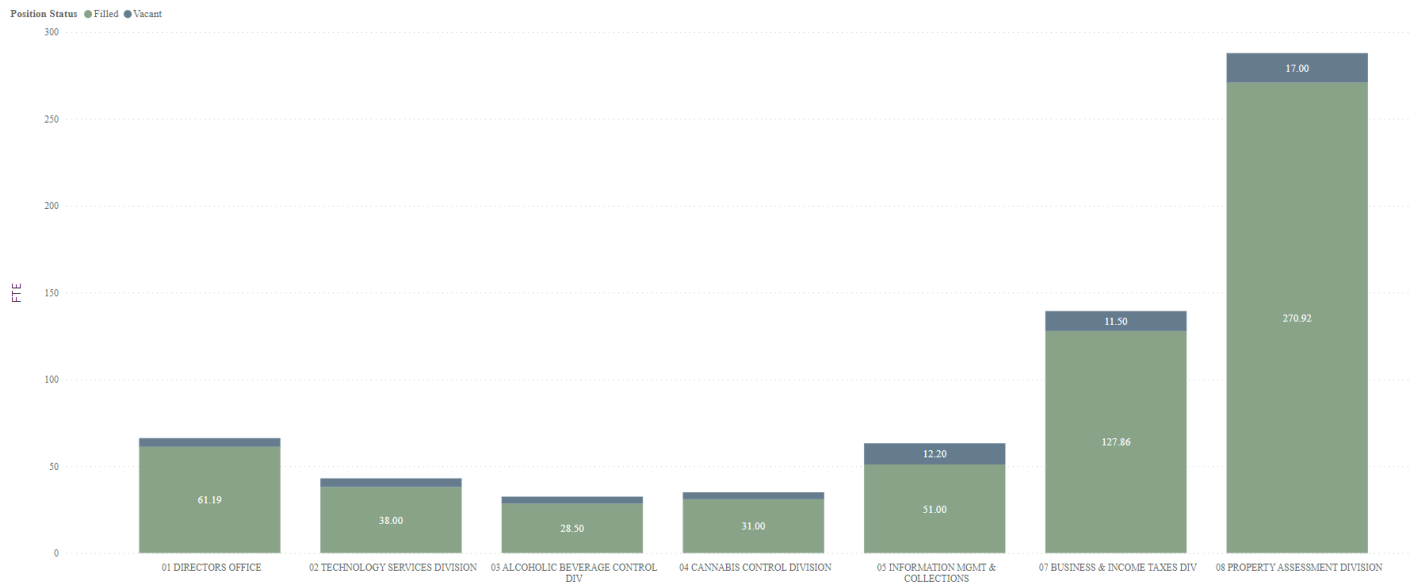
Expenditures have been primarily for personal services and operating expenses. The inclusion of authority that has historically been under language authority into HB 2 has significantly changed the fund type structure of the agency's budget. For example, proprietary authority now represents 59.4% of total HB 2 authority, state special revenue represents 23.5%, general fund represents 17.1%, and federal special revenue represents less than 1.0%. In FY 2023, general fund authority represented 92.1% of total HB 2 authority with proprietary funding representing 5.9%, state special revenue representing 1.6%, and federal special revenue representing less than 1.0%.

Lower expenditures are primarily driven by the Cannabis Control Division. Due to the nature of the marijuana state special revenue account, the department will record the FY 2024 cannabis revenue transfer at the end of the fiscal year using the budgeted appropriation. Excluding the FYE revenue transfer, the department has expended 40.3% of its budget in the Cannabis Control Division. Additionally, the operating expenses for the Cannabis Control Division are lower than expected and when asked, the department provided the following response:

“When HB 701 passed during the 2021 Legislative Session, there was a moratorium on any new cannabis licensees until July 1, 2023. When the department built its budget for the 2024 biennium, it was built on the assumption the state would see a large increase in the number of cannabis businesses. This would mean that the cost for the seed-to-sale system would increase according to those expected license increases. Therefore, the department asked for a restricted appropriation of \$1,125,400 to pay for the expected license increase. However, during the 2023 Legislative Session, HB 128, which extended the new licensees moratorium date to July 1, 2025, was passed, and signed by the Governor on May 22, 2023. As a result, the expected increase in licensees and subsequent increase in the seed-to-sale system cost has been postponed until the next biennium. Based on current seed-to-sale system expenses, the department anticipates using approximately \$575,000 of the \$1,125,400 appropriation. However, the department does expect to need at least \$1.2 million in this restricted appropriation during the next biennium because the moratorium will be lifted. In addition, the department has litigation expenses it has already incurred and more it expects to incur this fiscal year which will be charged to the cannabis fund.”

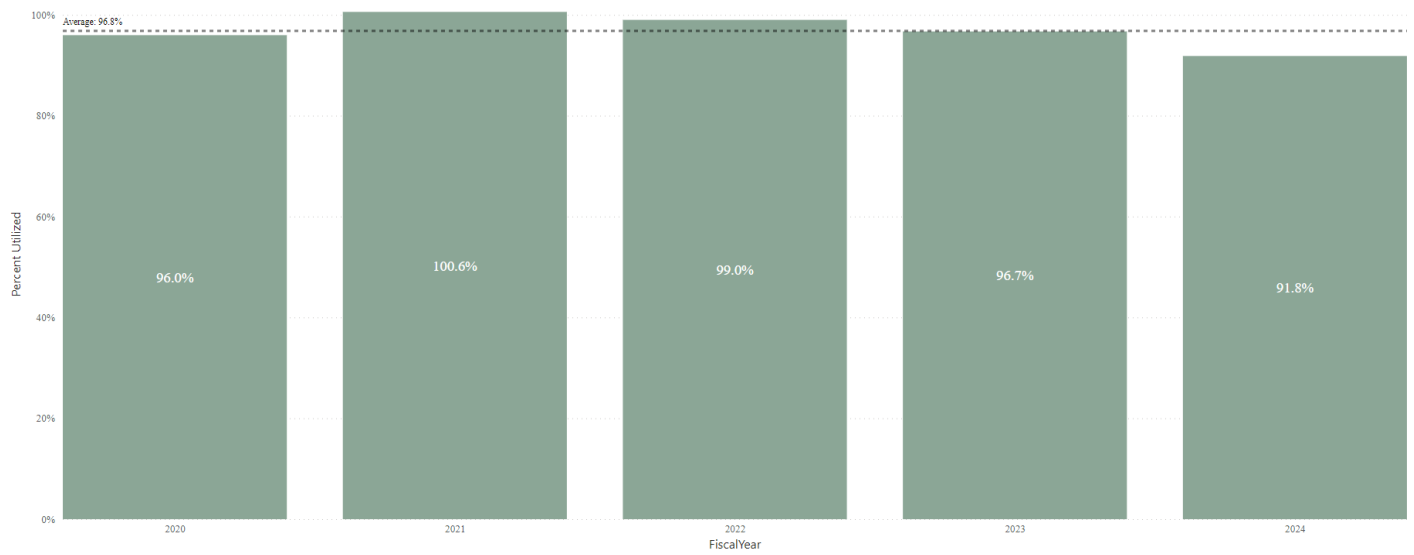
Personal Services

Appropriations for personal services in the Department of Revenue total \$54.4 million and are 60.5% expended through March 1, 2024. The department has 667.17 HB 2 FTE and 91.2% of these positions are filled as of February 1, 2024. The following chart shows the filled and vacant FTE within the agency as of February 1, 2024.



The Department of Revenue had 58.70 FTE vacant out of 667.17 non-aggregate FTE as of February 1, 2024. These vacancies are primarily in the Property Assessment Division for property appraisers. Since July 1, 2023, DOR had 39 employees leave state employment, 12 employees retire, and 13 transfer to different agencies within state government. As of February 1, 2024, DOR had 9 position openings advertised.

The chart below shows the hourly utilization percentage for the Department of Revenue between July 1 and February 1 for each fiscal year when compared to the available hours for the same time period. Overall, the Department of Revenue utilized 91.8% of its available hours as of February 1, 2024. The highest utilization division is the Alcoholic Beverage Control Division with 98.7%, and the lowest is the Information Management and Collections Division with 77.2%. Lower hourly utilization in the Information Management and Collections Division is due to greater employee turnover and vacancies in the division, with about 13.6% of positions vacant.



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 are vacant. Of the 48.70 FTE that are vacant, no full-time positions have been vacant for over 12 months and 45.50 FTE have been vacant for seven months or less (since July 2023). Between the Information Management & Collections Division and the Property Assessment Division, 26.20 FTE are vacant with an average market midpoint of \$23.84 per hour.

DEPT NUM/NAME	FTE	Median Months Vacant	Market Midpoint (Hourly)
58010 REVENUE	48.70	1.77	24.08
01 DIRECTORS OFFICE	5.00	4.26	21.48
Administrative Assistant 3	1.00	1.31	21.48
Customer Service Assistant 2	1.00	7.05	17.28
Customer Service Rep 3	1.00	4.75	20.09
Paralegal 2	1.00	3.84	29.98
Web & Digital Interface Design	1.00	4.26	30.55
02 TECHNOLOGY SERVICES DIVISION	4.00	5.33	42.07
Applications Analyst	1.00	1.77	45.80
Applications Developer	1.00	8.89	36.64
Management Officer	1.00	1.08	43.02
System Administrator	1.00	9.34	41.13
03 ALCOHOLIC BEVERAGE CONTROL DIV	3.00	1.34	22.04
License Examiner 1	1.00	2.92	22.04
Liquor Auditor	1.00	0.56	32.69
Warehouse Worker I	1.00	1.34	
04 CANNABIS CONTROL DIVISION	4.00	2.11	22.04
Administrative Assistant 3	1.00	1.77	21.48
License Tech	1.00	2.46	22.04
Licensing Technician Lead	1.00	10.49	22.04
Med Mrj Fac/Reg Premise Insptr	1.00	1.54	42.55
05 INFORMATION MGMT & COLLECTIONS	12.20	1.54	18.37
Business Analyst 1	1.00	2.59	26.21
Collections Agent 1	3.00	1.93	18.37
Collections Specialist	1.00	0.62	21.95
Collections Technician	0.20	81.41	18.37
Data Processor 2	2.00	1.08	15.84
Data Processor II	3.00	1.54	15.84
Program Officer 2	1.00	0.85	30.17
Research Analyst	1.00	4.75	31.13
07 BUSINESS & INCOME TAXES DIV	6.50	1.15	25.45
Administrative Research Tech 3	1.00	0.92	21.48
Auditing Technician 2	1.00	3.38	24.97
Income Tax Specialist	1.00	1.08	42.55
Tax Examiner 1	2.00	2.62	25.45
Tax Examiner 2	1.00	6.00	29.68
Utility/Industrial Tax Apprais	0.50	1.15	31.39
08 PROPERTY ASSESSMENT DIVISION	14.00	1.77	24.08
Area Manager	1.00	1.08	30.96
GIS Supervisor	1.00	2.92	42.32
Prop Valuation Support Tech	1.00	0.16	24.08
Prop. Valuation Support Tech	2.00	1.31	24.08
Property Appraiser 1	4.00	1.43	23.60
Property Appraiser 2	3.00	2.46	28.05
Property Valuation Support Tec	1.00	0.75	24.08
Sr. Systems & Program Dev.	1.00	3.84	42.74
Total	48.70	1.77	24.08

OTHER ISSUES

Contractors and overtime pay

Agency responses are below the underlined questions. Additional agency provided information is in the appendix.

How much did the Department of Revenue pay to contracts during the July 1, 2023- February 29, 2024, timeframe?

The table in the appendix provides a list of FY 2024 contracts and the July 1, 2023- February 29, 2024, spend amount for each project. Total spend in FY 2024 thus far is \$6.7 million.

How much of the amount paid to contractors is estimated to be due to vacant positions?

None

How much overtime/comp time did the Department of Revenue pay/incur during the November 1, 2023 – February 29, 2024, timeframe?

Overtime paid: \$2,704

Comp time incurred: \$88,891

How much of the overtime paid and the comp time earned do you estimate is due to vacant positions? If overtime was paid or comp time was earned due to vacant positions, what are the types of vacant positions that resulted in need for overtime/comp time?

Division	Overtime Pd Due to Vacancies	Comp Time Earned	Vacant Position Type Resulting in Comp Time Earned
Director's Office	None	6% due to vacancies 94% due to workload	Customer service representative Administrative assistant
Technology Services	None	59% due to workload 41% due to income & property tax rebates	NA
Alcoholic Beverage Control	None	100% due to workload	NA
Cannabis Control	None	100% due to workload	NA
Information Management & Collections	None	98% due to workload 2% due to income & property tax rebates	NA
Business & Income Taxes	None	4% due to vacancies 94% due to workload 2% due to income & property tax rebates	Tax examiner
Property Assessment	None	39% due to vacancies 61% due to workload	Appraiser Property valuation specialist

APPENDIX

Department of Revenue Payments to Contractors 7/4/2023-2/29/2024			
Contractor	Description	FY 2024 Total Contract Amt	FY 2024 Paid to Date
General Operations			
American DataBank	Background checks	billed per contract	5,358.15
Bloomberg (Bureau of National Affairs)	Premier State Library (US Income Core and Tax Practice Core Library)	48,303.75	48,303.75
Information Technology Core	Print services	billed per contract	29,509.25
Info-Tech Research Group Inc.	Access to tools and research	5,626.00	0
Iron Mountain - Intellectual Property Management	Orion source code escrow	950	0
Iron Mountain - Shredding	Paper shredding	billed per contract	4,704.66
Kyocera-360 Office Solutions	Copier leases	billed per contract	47,907.73
Language Link (Corporate Translation Services Inc)	Translation services	billed per contract	228.42
LexisNexis (Accurint)	Research database	billed per contract	6,411.80
Janitorial Contracts			
CPR Cleaning	Janitorial services	21,598.00	12,597.62
Melanie Hedges	Ennis janitorial	billed per contract	2,257.42
Tax Processing			
Fairfax Imaging Inc - Maintenance	Imaging maintenance	118,432.76	58,502.75
Fairfax Imaging Inc - Forms Changes	Form changes/updates	122,600.00	61,300.00
Fast Enterprises - GenTax maintenance and support	GenTax maintenance	2,600,000.00	1,337,500.00
Fast - Amendment E	SMS agreement texting-billed qtrly	6,000.00	4,500.00
Fast - Addendum 3	Business credit manager	206,000.00	103,000.00
Fast-Department of Ag	MOU to add agriculture reporting to GenTax	350,000.00	175,000.00
Grizzly Security Armored Express Inc	Medical marijuana cash deposits	billed per contract	0
Meyercord Revenue	Printing - heat-applied cigarette tax stamps	62,250.00	15,387.41
OPEX Corp	Maintenance	8,690.00	8,690.00
Professional Credit Services	Out of state unclaimed property collections	billed per contract	64,564.83
Alcoholic Beverage Control Contracts			
MERGENTHALER TRANSFER & STORAGE CO	Liquor merchandise shipping	billed per contract	1,679,151.38
Interlake Mecalux, INC.	Warehouse management system	544,830.00	269,935.45
Dunn Marketing LLC	Liquor price books	5,200.00	4,134.40
Cannabis Control Contracts			
METRC LLC	Seed to sale system	579,000.00	278,170.00
METRC LLC	Child packages	240,000.00	0
Property Assessment Contracts			
Apex Software	Apex and Nexis software	33,714.52	33,714.52
CoStar Realty Information Inc	Realty information subscription	18,000.00	9,000.00
Equipment Watch	Green Guide subscription	54,590.00	52,250.00
SAS Institute Inc	SAS office analytics & SAS/ETS - 8 processors	33,980.00	33,980.00
Tyler Technologies, Inc.	Orion System	801,519.68	561,063.36
Tyler Technologies, Inc.	Orion SmartFile SaaS	136,940.00	73,693.36
Unclaimed Property Contracts			
AVENU SLS HOLDINGS	Maintain the state's unclaimed property securities assets; facilitate the delivery, collection, and sales of reported unclaimed securities.	86,400.00	60,163.81
>Audit Services US LLC	Unclaimed property audit	billed per contract	2,683.45
>Discovery	Unclaimed property audit	billed per contract	982.34
>Kroll	Unclaimed property audit	billed per contract	3,736.36
>Kelmar	Unclaimed property audit	billed per contract	9,737.89
>Treasury	Unclaimed property audit	billed per contract	1,133.83
>Specialty Audit Services	Unclaimed property audit	billed per contract	112.75
Leases/Rentals			
M2T2 Properties, Inc	Storage	2,340.00	1,755.00
US Bank Corp Parking Garage	Parking garage spaces	480.00	300.00
Libby (Libby City of Treasurer)	Building lease	33,372.00	25,029.00
Donovan (Boyd State Helena LLC)	Building lease	796,705.56	597,529.17
Cascade (US Bank Properties/Craig Barber)	Building lease	102,517.95	84,554.61
Richland (Richland County Treasurer)	Building lease	12,396.48	9,297.40
Fallon (Fallon County Treasurer)	Building lease	11,278.08	8,458.56
Fergus (Fergus County Treasurer)	Building lease	10,273.56	7,705.17
Musselshell (Musselshell County Treasurer)	Building lease	3,903.96	2,927.97
Phillips (Phillips County Treasurer)	Building lease	9,771.24	7,328.43
Sheridan (Sheridan County Treasurer)	Building lease	14,930.88	11,198.16
Toole (Toole County Treasurer)	Building lease	8,698.20	6,523.65
Valley (Valley County Treasurer)	Building lease	13,857.84	10,393.38
Custer (Custer County Treasurer)	Building lease	10,958.40	8,218.80
Broadwater (Broadwater County Treasurer)	Building lease	3,000.00	2,250.00
Powell (Powell County Treasurer)	Building lease	3,200.00	2,400.00
Gallatin (Montana Board of Investments)	Building lease	165,054.00	123,790.50
Lake (Johns Ranch Inc)	Building lease	75,065.88	56,690.36
Missoula (Mountain States Leasing Missoula LLC)	Building lease	172,887.00	129,665.25
Ravalli (Bradley Mildenberger)	Building lease	66,112.20	49,584.15
Flathead (Casazza Management LLC)	Building lease	181,791.96	136,343.97
Dawson (Bassi Apartments)	Building lease	44,160.00	33,120.00
Carbon (McCampbell Building Partnership)	Building lease	23,552.64	17,664.48
Stillwater (Frederick & Sue Kraepflin)	Building lease	34,800.00	26,100.00
Yellowstone (WFC I LLC)	Building lease	204,126.84	153,095.13
Madison (Lone Elk Mall LLC)	Building lease	26,651.04	19,988.28
Sanders (Gloria Bennett)	Building lease	12,000.00	9,000.00
Silver Bow (Resodyn Properties LLC)	Building lease	36,405.00	27,303.75
Temporary Hires			
Brady Co Inc	Tax season temp staff	billed per contract	447.08
	Liquor warehouse temp staff	billed per contract	9,376.91
EmployBridge Holding Company	Tax season temp staff	billed per contract	2,518.66
	Liquor warehouse temp staff	billed per contract	49,937.65