

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

	Minimum Requirement	
	General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET	\$ 2,450,914	\$ 47,927

Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings
1	PS Reduction - Director's Office	\$ 297,732	\$ 3,042
2	Operating Reduction - Director's Office	\$ 297,731	\$ 3,042
3	PS Reduction - Citizen Services and Resource Management	\$ 242,695	\$ 6,846
4	Operating Reduction - Citizen Services and Resource Management	\$ 114,407	\$ 3,423
5	PS Reduction - Business and Income Tax Division	\$ 447,919	\$ 30,859
6	Operatating Reduction - Business and Income Tax Division	\$ 30,716	
7	PS Reduction - Property Assessment Division	\$ 1,019,714	\$ 715
8			
9			
10			
11	TOTAL SAVINGS	\$ 2,450,914	\$ 47,927
	DIFFERENCE	0	0

Form A

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

PS Reduction of \$300,774 and \$300,773 in Operating. Because the Director's Office is a central services provider for the agency, a reduction in its funding will cause an inability to provide critical services, thereby negatively impacting the entire department, the public, local governments, tax preparers, and businesses. These reductions will adversely affect Montana citizens by slowing the processing of tax returns, putting IT software systems at higher risk of security breaches and instability, and diminishing the overall efficiency of tax administration to the public, including online/electronic tax filing services.

#2 THE SAVINGS THAT ARE EXPECTED:

\$601,547

#3

THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Anticipated revenue loss: \$1 million
Additional delays in the hiring process due to vacancy savings in the Director's Office will result in slower response to information requests, put the state's legal position at risk, and negatively impact the soundness of our tax information systems. Slower response to information requests will adversely affect the public's, legislators', and state and local governments' expectation of timely and accurate information. Fewer legal staff will have a direct impact on the revenue collections that come through the department's compliance program. Legal staff support the department's compliance; this work generates \$5 to \$8 of revenue for every \$1 spent. This ratio applied to the 5% reduction creates an estimated revenue loss of roughly \$1 million. A reduction in the legal staff will also impact the department's timeliness in litigation, which impacts taxpayers and local and state governments dependent on timely resolution of litigation. Fewer IT staff will directly affect tax revenues due to the inability to resolve systems errors, implement enhancements, and counteract increased security risks. The department currently has a bare bones IT staff. The loss of any positions in this unit will jeopardize the state's financial position and increase potential for security breaches. The department is unable to quantify the negative impacts of the reductions on voluntary compliance but expects the impacts to be substantial.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

Reduce the expectations for promptness of replies to information requests;
Convey that there will be a reduction in revenues due to the lack of prosecution and the timeliness of litigation matters;
Convey that there will be a higher risk associated with not timely fixing and enhancing the department's IT systems.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No statutory programs would be cut but public expectations for service levels extend well beyond the statutory services.

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#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduction of \$249,541 in personal services and \$117,830 in operating budget. The reductions include a reduction in aggregate and temporary services.

#2 THE SAVINGS THAT ARE EXPECTED:

\$367,371

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Anticipated revenue loss: \$2.3 million annually; reduced compliance dollars unquantified

A reduction in resources providing taxpayer services will delay processing of tax returns and payments and slower responses to customer inquiries. This will result in delays in capturing data used for tax compliance and reduce time-sensitive service to taxpayers, tax preparers, and state and local governing bodies. A reduction in the service levels provided would negatively impact tax compliance; frustrate taxpayers interacting with the department; delay income tax return and refund processing; and ultimately slow the deposit and statutorily mandated distributions of state, local, and tribal government revenues. Additionally, a reduction of department mailings, including statements of account and notices of collection activities will lead to decreased compliance and a decline in revenues. The department is unable to quantify the negative impacts of the reductions on voluntary compliance, but expects the impacts to be substantial. The budget reductions would also negatively impact payment of department expenses on a timely basis and will prevent the department from meeting its obligations in closing the state's accounting records at fiscal year-end. Reductions in the Collections Bureau will result in a loss of revenue to the state of approximately \$2.3 million annually per FTE and delays in collection of delinquent tax revenues, making collections of revenues less successful.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

Publish press releases informing taxpayers longer wait times should be expected for receipt of income tax refunds. Communicate to individuals and businesses that they will experience slower service than they have been accustomed to due to reduction in staffing and operating expenses, thereby lowering the public's expectations of department services provided. Prepare department staff for the negativity they may receive from the public and ensure they recognize the overall impacts of the budget reductions and correlation to their work.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No statutory programs would be cut, but public expectations for service levels extend well beyond statutory requirements.

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#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The proposed general fund budget reduction \$478,635 will consist of a decrease of \$447,919 in personal services and \$30,716 in operating expenses. The proposed state special revenue budget reduction will consist of a decrease of \$30,859 in personal services. The Business and Income Taxes Division will decrease state and local revenues available to fund government services by several times the amount of expenditure cuts. A significant decrease will occur in the level of services provided to Montana citizens, local governments, tax preparers, and businesses - including delays in tax refunds to taxpayers and timeliness and accuracy of distributions to local governments and school districts.

#2 THE SAVINGS THAT ARE EXPECTED:

\$509,494

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Anticipated revenue loss: \$5.1 million

The proposed decrease in the Business and Income Taxes Division's budget will have a negative impact upon the department's ability to collect revenue for the state's general fund and for local governments. Based on the past activity within the Business and Income Taxes Division, the lost revenue that would occur is estimated to be 8 times the value of the budget reduction or approximately a \$5.1 million revenue loss per year. The department is unable to quantify the negative impacts of the reductions on voluntary compliance but expects the impacts to be substantial.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED

Reduce public expectations on the promptness of income tax refunds; reduce investments in tax compliance work; and delay efforts to modify existing business processes to meet the demands of evolving information technology services and providing electronic filing services.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No statutory programs would be cut, but public expectations for service levels extend well beyond the statutory services.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Personal Service Reduction of \$1,020,429

#2 THE SAVINGS THAT ARE EXPECTED:

\$ 1,020,429

#3

THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Anticipated revenue loss: \$52 million

Additional delays in the hiring process due to vacancy savings and prior reductions in force will impact the division's ability to accurately value property that generates nearly \$1.5 billion in annual revenue for state, schools, and local governments. About 20% is annually deposited in the state's general fund and the remaining 80% is for local government operations.

PAD certifies taxable values to over 1,400 taxing jurisdictions and generates the appraisals for the 800,000 tax bills generated by county treasurers. A reduction impacts the division's work for the state, schools, and local governments. The reduction in resources will limit the data collection of sales that are imperative for accurate mass appraisal and delay adding newly-taxable property. This in turn reduces new revenue for local governments. PAD has already reduced the number of field offices and may need to reduce hours or close more offices. Local governments will be primarily impacted by our reduction in staff. The following are examples of the risks to our work and the impact of not having enough staff to complete our work: 1) Less resources to add new construction on the tax rolls results in less newly-taxable property for local government operations; 2) Less resources to verify sales impacts the quality and quantity of sales that are imperative for an accurate mass appraisal; 3) Less resources to complete ownership changes and land splits before tax billing results in the property tax bill being mailed to the wrong party, which increases the potential for delinquent property taxes; and 4) Impacts the department's services to other agencies, which will be less of a priority; for example, water rights clean up to DNRC; DNRC cabin site values for their leases; DNRC Fire protection; MonTax mill levy data; MT Association of Soil Conservation; and, Department of Livestock per capita fee data. Reducing PAD's resources will limit the implementation of new technology that enhances parcel identification and maintenance. This will adversely impact state and federal agencies, nonprofits, local organizations, citizens, and private companies that use and depend on this data. Not

providing quality valuation 1. reduces our reliability; 2. homeowners values are not reflective of the current market and 3. increases our litigation costs.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

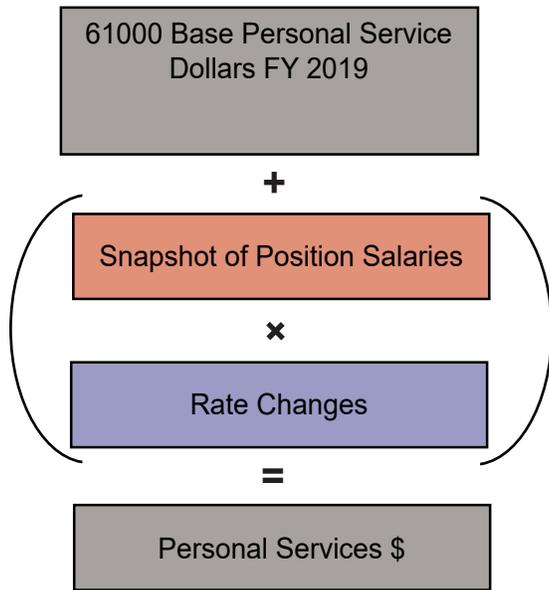
Reduce expectations of taxpayers and local governments for the timeliness and accuracy they have become accustomed to.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes. Statutorily required. Property tax is the primary source of revenue for state and local governments.

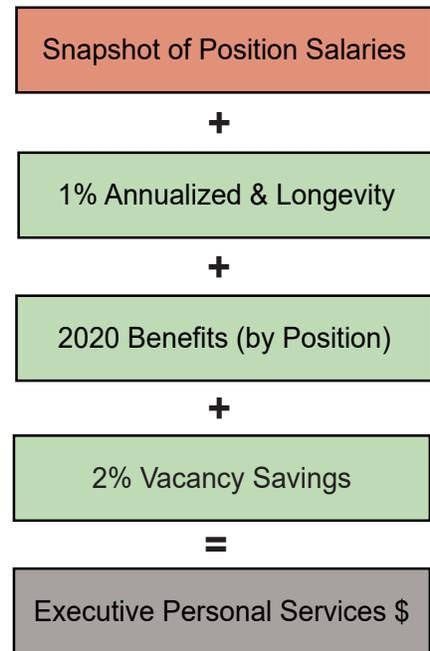
2021 Biennium Personal Services Comparison

Expected PS Calculations



Personal Services
- 61000 FY 2019 Personal Services Base
= Compare to DP1

Executive



Executive Personal Services
- 61000 FY 2019 Personal Services Base
= DP1 Statewide Present Law Adjustment

Expected Personal Services Calculation Details

(Base 61000 Amount plus Expected-Benefit-Changes-Amount)

