

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	83,212,489	92,571,945	9,359,456	11.25 %
Operating Expenses	27,835,047	30,326,746	2,491,699	8.95 %
Equipment & Intangible Assets	83,108	61,108	(22,000)	(26.47)%
Transfers	8,579	3,000	(5,579)	(65.03)%
Debt Service	88,428	15,056	(73,372)	(82.97)%
Total Expenditures	\$111,227,651	\$122,977,855	\$11,750,204	10.56 %
General Fund	102,158,050	113,198,420	11,040,370	10.81 %
State/Other Special Rev. Funds	1,920,361	2,015,874	95,513	4.97 %
Federal Spec. Rev. Funds	525,344	565,759	40,415	7.69 %
Proprietary Funds	6,623,896	7,197,802	573,906	8.66 %
Total Funds	\$111,227,651	\$122,977,855	\$11,750,204	10.56 %
Total Ongoing	\$110,977,651	\$122,727,855	\$11,750,204	10.59 %
Total OTO	\$250,000	\$250,000	\$0	0.00 %

Agency Biennium Comparison -

The biennium comparison table above shows a total growth of 10.6%, which is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 7.1%.

Mission Statement

The Department of Revenue serves Montana by providing high quality services, ensuring equity and fairness, and constantly improving efficiency.

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> • The Department of Revenue's 2021 biennium budget request is approximately \$11.8 million or 10.6% higher than the 2019 biennium budget • Overall, the Department of Revenue proposes general fund increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation • The Department of Revenue proposes a decrease in general fund for personal services appropriations related to 7.85 FTE. This request makes permanent certain reductions from SB 261 passed by the 2017 legislature; a 1.00 FTE reduction is requested from the Director's Office, while the remaining 6.85 FTE reduction is from the Property Assessment Division. These requests are contingent on legislation

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	654.52	654.52	646.67	646.67
Personal Services	40,679,466	40,819,501	42,392,988	46,292,338	46,279,607
Operating Expenses	12,564,698	12,897,067	14,937,980	15,255,919	15,070,827
Equipment & Intangible Assets	29,062	52,554	30,554	30,554	30,554
Transfers	5,589	7,079	1,500	1,500	1,500
Debt Service	37,623	46,064	42,364	7,528	7,528
Total Expenditures	\$53,316,438	\$53,822,265	\$57,405,386	\$61,587,839	\$61,390,016
General Fund	49,108,344	49,334,221	52,823,829	56,700,890	56,497,530
State/Other Special Rev. Funds	958,540	958,539	961,822	1,007,932	1,007,942
Federal Spec. Rev. Funds	262,352	262,351	262,993	282,961	282,798
Proprietary Funds	2,987,202	3,267,154	3,356,742	3,596,056	3,601,746
Total Funds	\$53,316,438	\$53,822,265	\$57,405,386	\$61,587,839	\$61,390,016
Total Ongoing	\$53,278,281	\$53,697,265	\$57,280,386	\$61,462,839	\$61,265,016
Total OTO	\$38,157	\$125,000	\$125,000	\$125,000	\$125,000

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

At the end of FY 2018, the Department of Revenue (DOR) had expended \$53.3 million or 99.1% of its budgeted \$53.8 million in HB 2 authority—in line with previous years, with small differences within expenditure types. Of this total, DOR had expended \$40.7 million, or 99.7% of the \$40.8 million personal services budget and \$12.6 million, or 97.4% of the \$12.9 million operating expenses budget.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$3.6 million, or 6.7% higher than the FY 2018 total appropriation in part due to:

- 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$1.0 million
 - FY 2018: \$1.3 million in state share costs and \$1.9 million for 17-7-140, MCA reductions
 - FY 2019: \$1.0 million for 17-7-140, MCA reductions
- SB 294 pay plan increase in FY 2019 of \$0.2 million

Elected Official Request

Overall, the executive is requesting an increase over the FY 2019 base in all funds of approximately \$4.2 million in FY 2020 and \$4.0 million in FY 2021 from FY 2019. These adjustments will be discussed in further detail at the program level.

Legislative Audit Findings

LFD COMMENT	The Legislative Audit Division conducted a performance audit of the Coordination of Liquor Licensing Compliance Programs in June 2017. The audit found that there is not a process to verify if 65% of gross revenue comes from food for restaurant-beer-wine license holders. If verification is challenging to achieve, a
--------------------	---

change in the law eliminating the requirement that 65% of gross revenue come from food for those license holders may be in order.

The Legislative Auditor recommends the Department of Revenue:

- A. Require additional information from restaurant-beer-wine licensees to confirm 65% of gross revenue comes from sale of food, or
- B. Seek legislation to change Montana Code related to business food sales criteria for restaurant-beer-wine licensees

Additional information on the audit can be found at: <https://leg.mt.gov/content/Publications/Audit/Report/16P-02.pdf>

LFD COMMENT The Legislative Audit Division conducted a performance audit of the Tax Increment Financing Administration and Impact in February 2018. The audit found that there is a lack of clear state goals or performance measurements for TIF, and no state entity is currently evaluating the provision. To better oversee the TIF provision, the legislature should clarify TIF responsibilities, expectations, and processes at both the state and local level.

The Legislative Auditor recommends the Department of Revenue:

- A. Define what criteria the Department of Revenue should review to approve qualified tax increment provisions as described in §7-15-4285, MCA, and
- B. Clarify tax increment financing laws, including statutory goals, state and local administration, monitoring, and how TIF should be evaluated

Additional information on the audit can be found at: <https://leg.mt.gov/content/Publications/Audit/Report/17P-03.pdf>

5% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the Budget Analysis Appendix.

The DOR 5% plan includes reductions totaling \$2.5 million general fund and \$0.0 million state special revenue. Over \$2.0 million of the reductions is in personal services, with all programs impacted except the Alcoholic Beverage Control Division. Potential changes because of the 5% reductions include delayed hiring, increased processing times for tax refunds, less responsiveness to taxpayer inquiries, and delays in reviewing and updating local market values used for property tax collections.

Comparison of FY 2019 Legislative Budget to FY 2019 Base

The following table illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

FY 2019 Legislative Appropriations -Department of Revenue				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Directors Office				
61000 Personal Services	7,366,489	243,662	7,610,151	3.3%
62000 Operating Expenses	6,785,818	5,596	6,791,414	0.1%
68000 Transfers-out	-	1,500	1,500	0.0%
69000 Debt Service	4,500	-	4,500	0.0%
Program Total	14,156,807	250,758	14,407,565	1.8%
03 Alcoholic Beverage Control Div				
61000 Personal Services	2,217,777	-	2,217,777	0.0%
62000 Operating Expenses	536,289	-	536,289	0.0%
63000 Equipment & Intangible Assets	30,554	-	30,554	0.0%
69000 Debt Service	31,479	-	31,479	0.0%
Program Total	2,816,099	-	2,816,099	0.0%
05 Citizen Srvcs & Resource Mgmt				
61000 Personal Services	5,945,531	(243,662)	5,701,869	-4.1%
62000 Operating Expenses	2,738,029	(7,096)	2,730,933	-0.3%
Program Total	8,683,560	(250,758)	8,432,802	-2.9%
07 Business & Income Taxes Div				
61000 Personal Services	9,600,450	-	9,600,450	0.0%
62000 Operating Expenses	1,452,305	-	1,452,305	0.0%
Program Total	11,052,755	-	11,052,755	0.0%
08 Property Assessment Division				
61000 Personal Services	17,137,741	-	17,137,741	0.0%
62000 Operating Expenses	3,427,039	-	3,427,039	0.0%
69000 Debt Service	6,385	-	6,385	0.0%
Program Total	20,571,165	-	20,571,165	0.0%
Grand Total	57,280,386	-	57,280,386	0.0%

The legislative action budget includes the FY 2019 budget as adopted during the November 2017 Special Session, specific other house & senate bills, and SB 9 restorations. SB 9 restored general fund appropriations of nearly \$1.0 million in FY 2019. Executive modifications to the legislative budget in DOR were primarily driven by two program transfers from the Citizen Services & Resource Management Division and into the Director's Office:

- \$71,251 and 1.00 FTE to provide a position for IT work in the Director's Office
- \$179,507 and 2.00 FTE to provide for bankruptcy attorney work in the Director's Office

In addition, \$1,500 of budget authority was shifted from the Director's Office operating expenses to the transfer out account for the agreed upon amount of the Strategic Analyst at the Department of Administration and for future employee compensation agreements.

At the end of FY 2018, several program transfers shifted FY 2018 authority primarily from the Director's Office and Citizen Services & Resource Management Division into the Property Assessment Division. According to department staff, the changes implemented during the November 2017 Special Session—especially the personal services reductions in the Property Assessment Division—were met through a hiring freeze, reductions in personnel, and other cost-saving measures across the department. There is no information on the impact, if any, these changes may have in FY 2019.

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into four categories, as follows:

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The figure shows the analysis of the proposed changes.

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 DIRECTOR'S OFFICE	87,496	(162,582)	703,311	-	628,225
03 ALCOHOLIC BEVERAGE CONTROL DIVISION	2,693	112,147	95,267	-	210,107
05 CITIZEN SVCS & RESOURCE MGMT DIV 07	50,197	(87,713)	498,128	-	460,612
BUSINESS & INCOME TAXES DIVISION	98,992	(289,806)	683,759	-	492,945
08 PROPERTY ASSESSMENT DIVISION	200,701	427,954	2,042,120	-	2,670,775
Agency Total	\$440,079	-	\$4,022,585	-	\$4,462,664

Personal services were \$42.4 million or 73.8% of total FY 2019 appropriations. The executive proposes an increase of approximately \$4.5 million in FY 2020 and \$4.4 million in FY 2021. The proposed reinstatement is the primary driver of the statewide present law adjustment for personal services and is comprised of the reinstatement of reductions from the 2017 Legislative Session, SB 261 and the additional 2.0% vacancy savings approved during 2017 Legislative Session. The modifications to the personal services base are attributable to executive modifications to the budget during the interim. Additional details of significant factors included in the statewide present law adjustment for personal services will be discussed at the program level.

Funding

The following table shows proposed agency funding by source of authority.

Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	113,198,420	0	0	284,061,966	397,260,386	69.55 %
State Special Total	2,015,874	0	0	163,651,250	165,667,124	29.00 %
Federal Special Total	565,759	0	0	0	565,759	0.10 %
Proprietary Total	6,947,802	250,000	482,262	0	7,680,064	1.34 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$122,727,855	\$250,000	\$482,262	\$447,713,216	\$571,173,333	
Percent - Total All Sources	21.49 %	0.04 %	0.08 %	78.38 %		

The Department of Revenue is primarily funded with general fund, which is 69.6% of total funds in the 2021 biennium. Proprietary funds are 1.3% of total funds and support the operation of the Alcoholic Beverage Control Division and other divisions that support alcoholic beverage control functions or the staff of the Alcoholic Beverage Control Division.

State special revenue, 29.0% of total funds, supports:

- Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- Appraisal, assessment, and taxation processes
- Administration of the unclaimed property program
- Administration of the medical marijuana tax

Federal special revenue, 0.1% of total funds, supports federal mineral royalty audits.

Total funding for the agency also includes two large general fund statutory appropriations: the Director's Office manages a pass-through general fund appropriation for the state entitlement shares, while the Citizen Services and Resource Management Division is responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments. These statutory appropriations are described in more detail in the pertinent sections.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	52,823,829	52,823,829	105,647,658	93.33 %	57,280,386	57,280,386	114,560,772	93.16 %
SWPL Adjustments	4,440,375	4,235,867	8,676,242	7.66 %	4,745,767	4,546,796	9,292,563	7.56 %
PL Adjustments	0	0	0	0.00 %	125,000	125,000	250,000	0.20 %
New Proposals	(563,314)	(562,166)	(1,125,480)	(0.99)%	(563,314)	(562,166)	(1,125,480)	(0.92)%
Total Budget	\$56,700,890	\$56,497,530	\$113,198,420		\$61,587,839	\$61,390,016	\$122,977,855	

Language and Statutory Authority -

The Alcoholic Beverage Control Division requests the following language be included in HB 2:

"Alcoholic Beverage Control Division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts are appropriated from the liquor enterprise fund to the department in the amounts not to exceed \$154.5 million in FY 2020 and \$154.5 million in FY 2021.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	14,945,236	16,269,084	1,323,848	8.86 %
Operating Expenses	12,117,911	13,625,498	1,507,587	12.44 %
Equipment & Intangible Assets	11,000	0	(11,000)	(100.00)%
Transfers	3,000	3,000	0	0.00 %
Debt Service	9,000	9,000	0	0.00 %
Total Expenditures	\$27,086,147	\$29,906,582	\$2,820,435	10.41 %
General Fund	26,091,527	28,866,597	2,775,070	10.64 %
State/Other Special Rev. Funds	244,743	256,649	11,906	4.86 %
Proprietary Funds	749,877	783,336	33,459	4.46 %
Total Funds	\$27,086,147	\$29,906,582	\$2,820,435	10.41 %
Total Ongoing	\$27,086,147	\$29,906,582	\$2,820,435	10.41 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table above shows a total growth of 10.4%, which is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 3.8%

Program Description

The Director's Office is responsible for the overall management and leadership of the department. The Director's Office is composed of five primary sections that provide services across the department:

- The Executive Office is responsible for the general guidance and management of the agency, including administrative functions and communication to the public, other agencies and elected officials. The Executive Office is responsible for fiscal administration, contract management, taxpayer assistance, dispute resolution, human resources, and enterprise planning and analysis
- The Legal Services Office is responsible for the overall legal efforts of the department including legal representation, legislation development and review, filing bankruptcy claims, and management of the department's administrative rules
- The Security Office provides security and disclosure guidance to the department staff and citizens served by the department. The Security Office is responsible for ensuring compliance with federal and state confidentiality requirements, security requirements, and information exchanges. The Office is also responsible for ensuring the department safeguards the integrity of confidential taxpayer information
- Tax Policy, Research and Public Information provides information to the governor, the legislature, and Montana citizens including the compilation of basic tax data, fulfilling public information requests, and the publication of the statutory required biennial report
- The Information Technology Office is responsible for all aspects of the department's information technology functions. The Office supports all department staff with hardware and software solution

Program Highlights

Department of Revenue – Director’s Office Major Budget Highlights
<ul style="list-style-type: none"> • The Director’s Office 2021 biennium budget request is approximately \$2.8 million or 10.4% higher than the 2019 biennium budget • Proposed increases in general fund are due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation • The Director’s Office proposed a decrease in general fund for personal services appropriations related to 1.00 FTE, which makes permanent certain reductions from SB 261 passed by the 2017 legislature

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	85.19	85.19	84.19	84.19
Personal Services	7,333,767	7,335,085	7,610,151	8,135,635	8,133,449
Operating Expenses	5,149,466	5,326,497	6,791,414	6,905,727	6,719,771
Equipment & Intangible Assets	10,135	11,000	0	0	0
Transfers	10	1,500	1,500	1,500	1,500
Debt Service	1,857	4,500	4,500	4,500	4,500
Total Expenditures	\$12,495,235	\$12,678,582	\$14,407,565	\$15,047,362	\$14,859,220
General Fund	11,999,328	12,182,675	13,908,852	14,527,347	14,339,250
State/Other Special Rev. Funds	121,670	121,670	123,073	128,330	128,319
Proprietary Funds	374,237	374,237	375,640	391,685	391,651
Total Funds	\$12,495,235	\$12,678,582	\$14,407,565	\$15,047,362	\$14,859,220
Total Ongoing	\$12,495,235	\$12,678,582	\$14,407,565	\$15,047,362	\$14,859,220
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriation Compared to FY 2018 Actual Expenditures

At the end of FY 2018, the Director’s Office had expended \$12.5 million or 98.6% of its budgeted \$12.7 million in HB 2 authority. Of this total, the Director’s Office had expended \$7.3 million, or 100% of the \$7.3 million personal services budget and \$5.1 million, or 96.7% of the \$5.3 million operating expenses budget.

FY 2018 Appropriation Compared to FY 2019 Appropriation

FY 2019 total appropriations are \$1.7 million, or 13.6% higher than the FY 2018 total appropriation due to:

- 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$0.6 million
 - FY 2018: \$0.2 million in state share costs and \$1.0 million for 17-7-140, MCA reductions
 - FY 2019: \$0.6 million for 17-7-140, MCA reductions

Executive Request

The executive is requesting an increase above the FY 2019 base in all funds of approximately \$640,000 in FY 2020 and \$452,000 in FY 2021. Statewide present law adjustments for personal services is driving the requested increase.

The executive has one new proposal for reducing 1.00 FTE to make permanent certain reductions from SB 261 passed by the 2017 legislature. Further details on the executive proposals are provided in the Present Law Adjustments and New Proposal sections below.

Program Personal Services Narrative

Personal services were \$7.6 million or 52.8% of total base appropriations. The executive proposes an increase of approximately \$525,000 in FY 2020 and \$523,000 in FY 2021. Most of the increase is due to the proposed reinstatement of personal services base budget reductions.

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 01-Directors Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	28,866,597	0	0	284,061,966	312,928,563	99.67 %	
02790 6901-Statewide Tobacco Sttlmnt	256,649	0	0	0	256,649	100.00 %	
02566 Medical Marijuana	0	0	0	0	0	0.00 %	
State Special Total	\$256,649	\$0	\$0	\$0	\$256,649	0.08 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	783,336	0	0	0	783,336	100.00 %	
Proprietary Total	\$783,336	\$0	\$0	\$0	\$783,336	0.25 %	
Total All Funds	\$29,906,582	\$0	\$0	\$284,061,966	\$313,968,548		

Funding for the Director's Office HB 2 budget comes primarily from the general fund. State special revenue from tobacco settlement funds supports the dedicated attorney that supports tobacco tax compliance activities. State special revenue from medical marijuana license fees supports administration and fee collection.

Proprietary funding is from a direct appropriation of Alcoholic Beverage Control Division proprietary fund and is for the Alcoholic Beverage Control Division share of Director's Office support costs. The allocation is calculated as a percentage of the program's budget. Alcoholic Beverage 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.

Total funding for the Director's Office also includes two general fund statutory appropriations. The largest of the statutory appropriations is a pass-through general fund appropriation for the state entitlement shares, as provided in 15-1-121, MCA. This distribution resulted from HB 124 in the 2001 Legislative Session, which reallocated revenue received by local governments, school districts, and some state special revenue accounts to the general fund and replaced foregone revenue with permanent state entitlement grants to counties and cities. A second general fund statutory appropriation included in the Director's Office is a direct use by the department for out of state travel costs for tax audits and is provided for in 15-1-218, MCA

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	13,908,852	13,908,852	27,817,704	96.37 %	14,407,565	14,407,565	28,815,130	96.35 %
SWPL Adjustments	721,236	532,871	1,254,107	4.34 %	742,538	554,128	1,296,666	4.34 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(102,741)	(102,473)	(205,214)	(0.71)%	(102,741)	(102,473)	(205,214)	(0.69)%
Total Budget	\$14,527,347	\$14,339,250	\$28,866,597		\$15,047,362	\$14,859,220	\$29,906,582	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	606,923	5,257	0	628,225	0.00	604,514	5,246	0	625,771
DP 2 - Fixed Costs	0.00	113,723	0	0	113,723	0.00	(72,375)	0	0	(72,375)
DP 3 - Inflation Deflation	0.00	590	0	0	590	0.00	732	0	0	732
Grand Total All Present Law Adjustments	0.00	\$721,236	\$5,257	\$0	\$742,538	0.00	\$532,871	\$5,246	\$0	\$554,128

**Total Funds* amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requires adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 12 - FTE Reductions	(1.00)	(102,741)	0	0	(102,741)	(1.00)	(102,473)	0	0	(102,473)
Total	(1.00)	(\$102,741)	\$0	\$0	(\$102,741)	(1.00)	(\$102,473)	\$0	\$0	(\$102,473)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 12 - FTE Reductions -

The budget includes a reduction of 1.00 FTE in the Directors Office Program to make permanent certain reductions from SB 261 passed by the 2017 legislature by reducing general fund \$102,741 in FY 2020 and \$102,473 in FY 2021.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	4,597,869	5,106,536	508,667	11.06 %
Operating Expenses	1,062,799	1,169,112	106,313	10.00 %
Equipment & Intangible Assets	61,108	61,108	0	0.00 %
Transfers	5,579	0	(5,579)	(100.00)%
Debt Service	66,658	(6,714)	(73,372)	(110.07)%
Total Expenditures	\$5,794,013	\$6,330,042	\$536,029	9.25 %
Proprietary Funds	5,794,013	6,330,042	536,029	9.25 %
Total Funds	\$5,794,013	\$6,330,042	\$536,029	9.25 %
Total Ongoing	\$5,544,013	\$6,080,042	\$536,029	9.67 %
Total OTO	\$250,000	\$250,000	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table above shows a total growth of 9.3%, which is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 7.6%.

Program Description

The Alcoholic Beverage Control Division provides administration of the Montana alcoholic beverage code. The division consists of the Liquor Distribution Bureau, which maintains a regulated channel of distribution to fulfill the public demand for distilled spirits and fortified wine through agency liquor stores; the Licensing and Compliance Bureau, which regulates alcoholic beverage licensing laws; and administrative staff, which provides support to the division regarding legislative implementation, rule development, facility management, and other division projects.

Program Highlights

Department of Revenue – Alcoholic Beverage Control Division Major Budget Highlights
<ul style="list-style-type: none"> • The Alcoholic Beverage Control Division's 2021 biennium budget request is approximately \$0.5 million or 9.3% higher than the 2019 biennium budget • Proposed increases in proprietary funds are due to statewide present law adjustments for personal services, fixed costs, and inflation/ deflation • Proposed increases in spending due to anticipated termination payouts and overtime

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	31.75	31.75	31.75	31.75
Personal Services	2,126,749	2,255,092	2,342,777	2,552,884	2,553,652
Operating Expenses	396,722	526,510	536,289	582,083	587,029
Equipment & Intangible Assets	8,792	30,554	30,554	30,554	30,554
Transfers	5,579	5,579	0	0	0
Debt Service	35,120	35,179	31,479	(3,357)	(3,357)
Total Expenditures	\$2,572,962	\$2,852,914	\$2,941,099	\$3,162,164	\$3,167,878
Proprietary Funds	2,572,962	2,852,914	2,941,099	3,162,164	3,167,878
Total Funds	\$2,572,962	\$2,852,914	\$2,941,099	\$3,162,164	\$3,167,878
Total Ongoing	\$2,534,805	\$2,727,914	\$2,816,099	\$3,037,164	\$3,042,878
Total OTO	\$38,157	\$125,000	\$125,000	\$125,000	\$125,000

Program Discussion -

FY 2018 Appropriation Compared to FY 2018 Actual Expenditures

At the end of FY 2018, the Alcoholic Beverage Control Division had expended \$2.6 million or 90.2% of its budgeted \$2.9 million in HB 2 authority. Of this total, the division had expended 2.1 million, or 94.3% of the \$2.3 million personal services budget and \$0.4 million, or 75.3% of the \$0.5 million operating expenses budget.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$0.1 million, or 3.1% higher than the FY 2018 total appropriation due to:

- 2017 Special Session reduction to the state share contribution of about \$61,000 for FY 2018
- SB 294 pay plan increase in FY 2019 of about \$25,000

Executive Request

The executive is requesting an increase above the FY 2019 base in proprietary funds of approximately \$221,000 in FY 2020 and \$227,000 in FY 2021. Statewide present law adjustments for personal services and present law adjustments for personal services are contributing to the requested increase. Further details on the executive proposals are provided in the Present Law Adjustments section below.

Program Personal Services Narrative

Personal services were \$2.3 million or 79.7% of total base appropriations. The executive proposes an increase of approximately \$210,000 in FY 2020 and \$211,000 in FY 2021. Most of the increase is due to management decisions and the proposed reinstatement of personal services base budget reductions.

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 03-Alcoholic Beverage Control Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	6,330,042	250,000	0	0	6,580,042	100.00 %	
Proprietary Total	\$6,330,042	\$250,000	\$0	\$0	\$6,580,042	100.00 %	
Total All Funds	\$6,330,042	\$250,000	\$0	\$0	\$6,580,042		

The division is funded with a direct appropriation of Alcoholic Beverage Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund. The HB 2 OTO funding is for DPs 6 and 7 for anticipated termination payouts and overtime funding.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	2,816,099	2,816,099	5,632,198	88.98 %
SWPL Adjustments	0	0	0	0.00 %	221,065	226,779	447,844	7.07 %
PL Adjustments	0	0	0	0.00 %	125,000	125,000	250,000	3.95 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$3,162,164	\$3,167,878	\$6,330,042	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	210,107	0.00	0	0	0	210,875
DP 2 - Fixed Costs	0.00	0	0	0	9,494	0.00	0	0	0	14,088
DP 3 - Inflation Deflation	0.00	0	0	0	1,464	0.00	0	0	0	1,816
DP 6 - Overtime-ABCD	0.00	0	0	0	65,000	0.00	0	0	0	65,000
DP 7 - Term Payout-ABCD	0.00	0	0	0	60,000	0.00	0	0	0	60,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$346,065	0.00	\$0	\$0	\$0	\$351,779

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requires adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 6 - Overtime-ABCD -

The Alcoholic Beverage Control Division is requesting \$65,000 in FY 2018 and FY 2019. This funding is necessary to pay for overtime and temporary staff to meet the increase in demand for liquor products especially during peaks periods, holiday weeks, and to back fill personnel while out on vacation or sick leave.

DP 7 - Term Payout-ABCD -

The Alcoholic Beverage Control Division is requesting \$60,000 in FY 2018 and FY 2019 to pay out accrued leave balances for employees retiring and/or leaving the division. This request allows the division to efficiently distribute alcoholic beverages to the agency liquor stores and comply with the statutory requirement of MCA 16-2-101(12) requiring the department to maintain a 97% monthly service level to the agency stores. If the Alcoholic Beverage Control Division is required to use vacancy savings to pay for the termination payouts, they will not be able to meet this statutory requirement.

**LFD
COMMENT**

The executive proposes overtime and termination payouts funding for staff within the Alcoholic Beverage Control Division as a present law adjustment. The 2017 Legislature provided funding for overtime and termination payouts as one-time-only in the 2019 biennium. Based on statutory requirements, items that are one-time-only are considered new proposals in the following budget.

The legislature may wish to consider approving the proposed overtime and termination payouts funding with one-time funding.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	10,656,677	12,325,581	1,668,904	15.66 %
Operating Expenses	5,171,788	5,364,559	192,771	3.73 %
Total Expenditures	\$15,828,465	\$17,690,140	\$1,861,675	11.76 %
General Fund	15,337,697	17,172,274	1,834,577	11.96 %
State/Other Special Rev. Funds	410,762	433,442	22,680	5.52 %
Proprietary Funds	80,006	84,424	4,418	5.52 %
Total Funds	\$15,828,465	\$17,690,140	\$1,861,675	11.76 %
Total Ongoing	\$15,828,465	\$17,690,140	\$1,861,675	11.76 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table above shows a total growth of 11.8%, which is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 4.9%.

Program Description

The Citizen Services and Resource Management Division (CSRM) focuses on providing services to citizens and support services to the other divisions of DOR. CSRM includes the Citizen Services/Financial and Asset Management Bureau, the Collections Bureau, and the Information Management Bureau.

- The Citizen Services/Financial and Asset Management Bureau assists taxpayers through the DOR call center; administers the One-Stop business licensing program; returns of unclaimed property to rightful owners; and creates tax forms and instructions. The bureau is responsible for DOR’s accounting functions; purchasing; safety and security; and statewide facility-related needs
- The Collections Bureau collects the department’s delinquent debts and provides collection services to other state agencies and local governments for recovery of bad debts
- The Information Management Bureau ensures secure handling and processing of taxpayer information, payments, and data in electronic or paper form. The bureau is organized into four units including Account Maintenance and Cashiering, Information Capture, Electronic Services (E-Services), and Mail and Imaging

Program Highlights

Department of Revenue – Citizen Services & Resource Management Division Major Budget Highlights
<ul style="list-style-type: none"> • The Citizen Services & Resource Management Division’s 2021 biennium budget request is approximately \$1.9 million or 11.8% higher than the 2019 biennium budget • Proposed increases in general fund are due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	99.95	99.95	99.95	99.95
Personal Services	4,954,773	4,954,808	5,701,869	6,162,481	6,163,100
Operating Expenses	2,432,648	2,440,855	2,730,933	2,683,102	2,681,457
Total Expenditures	\$7,387,421	\$7,395,663	\$8,432,802	\$8,845,583	\$8,844,557
General Fund	7,142,037	7,150,279	8,187,418	8,586,680	8,585,594
State/Other Special Rev. Funds	205,381	205,381	205,381	216,696	216,746
Proprietary Funds	40,003	40,003	40,003	42,207	42,217
Total Funds	\$7,387,421	\$7,395,663	\$8,432,802	\$8,845,583	\$8,844,557
Total Ongoing	\$7,387,421	\$7,395,663	\$8,432,802	\$8,845,583	\$8,844,557
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

At the end of FY 2018, CSRM had expended \$7.4 million or 99.9% of its budgeted \$7.4 million in HB 2 authority. Of this total, CSRM had expended \$5.0 million, or nearly 100% of the \$5.0 million personal services budget and \$2.4 million, or 99.7% of the \$2.4 million operating expenses budget.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$1.0 million, or 14.0% higher than the FY 2018 total appropriation due to:

- 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$0.3 million
 - FY 2018: \$0.2 million in state share costs and \$0.6 million for 17-7-140, MCA reductions
 - FY 2019: \$0.3 million for 17-7-140, MCA reductions
- FYE 2018 program transfers shifted authority as follows:
 - \$0.5 million from the Citizen Services & Resource Management Division into the Property Assessment Division
 - \$0.4 million from the Director's Office into the Citizen Services & Resource Management Division
- SB 294 pay plan increase in FY 2019 of about \$19,000

Executive Request

The executive is requesting an increase above the FY 2019 base in all funds of approximately \$413,000 in FY 2020 and \$412,000 in FY 2021. Statewide present law adjustments for personal services is driving the requested increase. Further detail on the executive proposals are provided in the Present Law Adjustments section below.

Program Personal Services Narrative

Personal services were \$5.7 million or 67.6% of total base appropriations. The executive proposes an increase of approximately \$461,000 in FY 2020 and \$461,000 in FY 2021. Most of the increase is due to the proposed reinstatement of personal services base budget reductions and management decisions.

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 05-Citizen Services & Resource Mgmt Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	17,172,274	0	0	0	17,172,274	9.45 %	
02008 Tobacco And Cig. Tribal Agree.	0	0	0	9,600,000	9,600,000	5.86 %	
02025 Unclaimed Property	341,797	0	0	0	341,797	0.21 %	
02083 Oil & Gas Local Assistance	0	0	0	9,400,000	9,400,000	5.73 %	
02088 SSR ADMINISTRATIVE FUNDS	91,645	0	0	0	91,645	0.06 %	
02168 MT Oil Production Tax	0	0	0	140,000,000	140,000,000	85.39 %	
02169 Bentonite Production Tax	0	0	0	3,000,000	3,000,000	1.83 %	
02511 Oil and Gas Natural Resource	0	0	0	0	0	0.00 %	
02966 Tribal Agreement - Alcohol	0	0	0	1,520,000	1,520,000	0.93 %	
02566 Medical Marijuana	0	0	0	0	0	0.00 %	
State Special Total	\$433,442	\$0	\$0	\$163,520,000	\$163,953,442	90.24 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	84,424	0	0	0	84,424	14.90 %	
06554 CSC Collection Services	0	0	482,262	0	482,262	85.10 %	
Proprietary Total	\$84,424	\$0	\$482,262	\$0	\$566,686	0.31 %	
Total All Funds	\$17,690,140	\$0	\$482,262	\$163,520,000	\$181,692,402		

The Citizens Services and Resource Management Division is funded primarily by the general fund. State special revenue funds the division’s administration of the livestock per capita fee and medical marijuana tax, and for support of the unclaimed property program. The finances of the Collections Services Program are not shown in the HB 2 tables because it is funded with proprietary funds. The Collections Services Program is discussed in the Proprietary Rates Section that follows the HB 2 discussion. As seen in the figure above, the Citizen Services and Resource Management program is also responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	8,187,418	8,187,418	16,374,836	95.36 %	8,432,802	8,432,802	16,865,604	95.34 %
SWPL Adjustments	399,262	398,176	797,438	4.64 %	412,781	411,755	824,536	4.66 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$8,586,680	\$8,585,594	\$17,172,274		\$8,845,583	\$8,844,557	\$17,690,140	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2020					Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	447,093	11,315	0	460,612	0.00	447,652	11,365	0	461,231
DP 2 - Fixed Costs	0.00	(47,835)	0	0	(47,835)	0.00	(49,481)	0	0	(49,481)
DP 3 - Inflation Deflation	0.00	4	0	0	4	0.00	5	0	0	5
Grand Total All Present Law Adjustments	0.00	\$399,262	\$11,315	\$0	\$412,781	0.00	\$398,176	\$11,365	\$0	\$411,755

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requires adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

**Other Issues -
Proprietary Rates**

06554 Collection Services Program

Program Description

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA. The department established the Collections Services Program, which includes 3.50 FTE, to administer its statutory responsibilities under Title 17, chapter 4, MCA. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

Revenues and Expenses

DOR is currently authorized to charge a commission rate up to 5% for its collection services excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program. Approximately 84% of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program.

Administration of this program has required a minimum of a 9-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

2021 Biennium Report on Internal Service and Enterprise Funds									
Fund	Fund Name	Agency #	Agency Name	Program Name					
06554	CSRM Collection Services	58010	Dept of Revenue	Citizen Services & Res. Mgmt.					
				Actual FY 16	Actual FY 17	Actual FY 18	Estimated FY 19	Proposed FY 20	Proposed FY 21
Operating Revenues									
Fees and Charges									
Fee Revenue A									
Fee Revenue B									
Total Operating Revenues									
Expenses									
Personal Services									
Other Operating Expense									
Total Operating Expense									
Income (Loss)									
Change in Net Position									
Beginning Net Position - July 1									
Prior Period Adjustments									
Change in Net Position									
Ending Net Position - June 30									

Rates and Rate Explanation

The department requests a commission rate of 5% in FY 2020 and a rate of 4.5% in FY 2021. Prior to FY 2014, the commission rate was 5%. Partly due to staff turnover and the corresponding reduction in personal services costs, the balance of the CSRM collections services fund increased in the 2015 biennium. DOR reduced rates in the 2017 biennium to draw down the fund balance. Personal services costs have stabilized, and the department is requesting a return to a 5% commission rate to maintain the 9-month working capital.

Exempted from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

Requested Rates for Internal Service or Enterprise Funds						
Fee/Rate Information						
	Actual FY 16	Actual FY 17	Estimated FY 18	Estimated FY 19	Proposed FY 20	Proposed FY 21
Fee Description:	1.5%	1.5%	5.0%	5.0%	5.0%	4.5%

Changes in Level of Fees and Charge

If revenues and expenditures remain consistent, the commission rate will be lowered to 4.5% in FY 2021. The rate change will lower the fund fee revenue to approximately \$225,600 in FY 2021.

Projected Net Position, Including Cash Fluctuations

This rate reduction will reduce the fund’s net position to approximately \$174,981 by the end of FY 2021 assuming all positions in the other agency debts unit remain filled. Cash fluctuations are due to the timing of when commissions are received because most of revenues are collected during the income tax season when income tax refunds are offset against outstanding debts.

Working Capital and Fees Commensurate Analysis

Based on the projection above, net position will be reduced to approximately \$173,202 in FY 2019. This will provide the department with approximately nine months’ worth of working capital. It is necessary to maintain a nine-month working capital balance to pay expenses as they are incurred as most of commission revenue is not collected until the income tax filing season each year, some six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred to maintain the working capital balance at the appropriate level.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	18,847,017	20,186,467	1,339,450	7.11 %
Operating Expenses	2,672,624	3,390,150	717,526	26.85 %
Total Expenditures	\$21,519,641	\$23,576,617	\$2,056,976	9.56 %
General Fund	19,758,043	21,718,122	1,960,079	9.92 %
State/Other Special Rev. Funds	1,236,254	1,292,736	56,482	4.57 %
Federal Spec. Rev. Funds	525,344	565,759	40,415	7.69 %
Total Funds	\$21,519,641	\$23,576,617	\$2,056,976	9.56 %
Total Ongoing	\$21,519,641	\$23,576,617	\$2,056,976	9.56 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table above shows a total growth of 9.6%, which is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 6.7%.

Program Description

The Business and Income Taxes Division is responsible for the administration of and collection of nearly \$2.0 billion from 40 Montana taxes and fees—including but not limited to individual and corporation income, natural resource, accommodations, and cigarette and tobacco product taxes. The division also values all industrial and centrally assessed property in the state, which generates \$250.0 million in state and local revenue annually. Some of the duties associated with administration include tax type expertise, taxpayer education, auditing, identification of nonfilers, and overall tax compliance.

Program Highlights

Department of Revenue – Business & Income Taxes Division Major Budget Highlights
<ul style="list-style-type: none"> • The Business & Income Taxes Division’s 2021 biennium budget request is approximately \$2.1 million or 9.6% higher than the 2019 biennium budget • Proposed increases in general fund are due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	135.86	135.86	135.86	135.86
Personal Services	9,238,307	9,246,567	9,600,450	10,093,395	10,093,072
Operating Expenses	1,213,938	1,220,319	1,452,305	1,700,784	1,689,366
Total Expenditures	\$10,452,245	\$10,466,886	\$11,052,755	\$11,794,179	\$11,782,438
General Fund	9,572,705	9,587,348	10,170,695	10,864,841	10,853,281
State/Other Special Rev. Funds	617,188	617,187	619,067	646,377	646,359
Federal Spec. Rev. Funds	262,352	262,351	262,993	282,961	282,798
Total Funds	\$10,452,245	\$10,466,886	\$11,052,755	\$11,794,179	\$11,782,438
Total Ongoing	\$10,452,245	\$10,466,886	\$11,052,755	\$11,794,179	\$11,782,438
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriation Compared to FY 2018 Actual Expenditures

At the end of FY 2018, the Business and Income Taxes Division had expended \$10.5 million or 99.9% of its budgeted \$10.5 million in HB 2 authority. Of this total, the division had expended \$9.2 million, or 99.9% of the \$9.2 million personal services budget and \$1.2 million, or 99.5% of the \$1.2 million operating expenses budget.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$0.6 million, or 5.6% higher than the FY 2018 total appropriation due to:

- 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$0.1 million
 - FY 2018: \$0.3 million in state share costs and \$0.2 million for 17-7-140, MCA reductions
 - FY 2019: \$0.1 million for 17-7-140, MCA reductions
- SB 294 pay plan increase in FY 2019 of about \$31,000

Executive Request

The executive is requesting an increase above the FY 2019 base in all funds of approximately \$741,000 in FY 2020 and \$730,000 in FY 2021. Statewide present law adjustments for personal services is driving the requested increase. Further detail on the executive proposals are provided in the Present Law Adjustments section below.

Program Personal Services Narrative

Personal services were \$9.6 million or 86.9% of total base appropriations. The executive proposes an increase of approximately \$493,000 in FY 2020 and \$493,000 in FY 2021. Most of the increase is due to the proposed reinstatement of personal services base budget reductions.

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 07-Business & Income Taxes Division						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	21,718,122	0	0	0	21,718,122	91.61 %
02025 Unclaimed Property	638,173	0	0	0	638,173	44.82 %
02110 Accommodation Tax Admin	268,472	0	0	0	268,472	18.85 %
02111 Accommodation Tax Account	0	0	0	0	0	0.00 %
02116 Accommodation Tax Account	0	0	0	0	0	0.00 %
02123 Sites & Signs	0	0	0	0	0	0.00 %
02159 Handicapped Telecommunications	0	0	0	0	0	0.00 %
02254 Regional Accommodation Tax	0	0	0	0	0	0.00 %
02274 FWP Accommodations Tax	0	0	0	0	0	0.00 %
02340 Coal Sev. Tax Shared SSR	0	0	0	0	0	0.00 %
02772 Tobacco Hlth and Medicaid Init	0	0	0	0	0	0.00 %
02790 6901-Statewide Tobacco Sttlmnt	386,091	0	0	0	386,091	27.11 %
02801 Dep Rev Consumer Cncl Tax	0	0	0	0	0	0.00 %
02853 Accommodation Tax	0	0	0	0	0	0.00 %
02989 69010-Hospital Utilization Fee	0	0	0	0	0	0.00 %
02990 69010-Nursing Home Utilization	0	0	0	0	0	0.00 %
02795 TransADE Special Revenue	0	0	0	0	0	0.00 %
02566 Medical Marijuana	0	0	0	0	0	0.00 %
02020 Cigarette Tax Stamps	0	0	0	131,250	131,250	9.22 %
02939 State-Tribal Economic Devel	0	0	0	0	0	0.00 %
State Special Total	\$1,292,736	\$0	\$0	\$131,250	\$1,423,986	6.01 %
03928 Royalty Audit - NRCT	565,759	0	0	0	565,759	100.00 %
Federal Special Total	\$565,759	\$0	\$0	\$0	\$565,759	2.39 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$23,576,617	\$0	\$0	\$131,250	\$23,707,867	

The Business and Income Taxes Division is primarily funded with general fund, with some state special revenue and federal special revenue. State special revenue comes from the unclaimed property fund for program support, tobacco settlement funds that support tobacco tax compliance activities, and the accommodations tax which funds expenses for administering that tax. Federal special revenue comes from reimbursements for performing mineral royalty audits.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	10,170,695	10,170,695	20,341,390	93.66 %	11,052,755	11,052,755	22,105,510	93.76 %
SWPL Adjustments	694,146	682,586	1,376,732	6.34 %	741,424	729,683	1,471,107	6.24 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$10,864,841	\$10,853,281	\$21,718,122		\$11,794,179	\$11,782,438	\$23,576,617	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	448,723	27,310	16,912	492,945	0.00	448,435	27,292	16,895	492,622
DP 2 - Fixed Costs	0.00	243,604	0	3,056	246,660	0.00	231,894	0	2,910	234,804
DP 3 - Inflation Deflation	0.00	1,819	0	0	1,819	0.00	2,257	0	0	2,257
Grand Total All Present Law Adjustments	0.00	\$694,146	\$27,310	\$19,968	\$741,424	0.00	\$682,586	\$27,292	\$19,805	\$729,683

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requires adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	34,165,690	38,684,277	4,518,587	13.23 %
Operating Expenses	6,809,925	6,777,427	(32,498)	(0.48)%
Equipment & Intangible Assets	11,000	0	(11,000)	(100.00)%
Debt Service	12,770	12,770	0	0.00 %
Total Expenditures	\$40,999,385	\$45,474,474	\$4,475,089	10.92 %
General Fund	40,970,783	45,441,427	4,470,644	10.91 %
State/Other Special Rev. Funds	28,602	33,047	4,445	15.54 %
Total Funds	\$40,999,385	\$45,474,474	\$4,475,089	10.92 %
Total Ongoing	\$40,999,385	\$45,474,474	\$4,475,089	10.92 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table above shows a total growth of 10.9%, which is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 10.5%.

Program Description

The Property Assessment Division administers the state’s real and personal property tax laws. It accomplishes this through valuation and assessment regulations for residential, commercial, agricultural, forestland, and business equipment property. The division discovers, appraises, and assesses real and personal property for the local governing bodies that include about 1,400 levy districts and another 1,400 individual taxing jurisdictions. The division provides tax billing information to the local county treasurers for their generation of all classes of property.

Program Highlights

Department of Revenue – Property Assessment Division Major Budget Highlights
<ul style="list-style-type: none"> • The Property Assessment Division’s 2021 biennium budget request is approximately \$4.5 million or 10.9% higher than the 2019 biennium budget • Proposed increases in general fund are due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation • The Property Assessment Division proposes a decrease in general fund for personal services appropriations related to 6.85 FTE, which makes permanent certain reductions from SB 261 passed by the 2017 legislature

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	301.77	301.77	294.92	294.92
Personal Services	17,025,870	17,027,949	17,137,741	19,347,943	19,336,334
Operating Expenses	3,371,924	3,382,886	3,427,039	3,384,223	3,393,204
Equipment & Intangible Assets	10,135	11,000	0	0	0
Debt Service	646	6,385	6,385	6,385	6,385
Total Expenditures	\$20,408,575	\$20,428,220	\$20,571,165	\$22,738,551	\$22,735,923
General Fund	20,394,274	20,413,919	20,556,864	22,722,022	22,719,405
State/Other Special Rev. Funds	14,301	14,301	14,301	16,529	16,518
Total Funds	\$20,408,575	\$20,428,220	\$20,571,165	\$22,738,551	\$22,735,923
Total Ongoing	\$20,408,575	\$20,428,220	\$20,571,165	\$22,738,551	\$22,735,923
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriation Compared to FY 2018 Actual Expenditures

At the end of FY 2018, the Property Assessment Division had expended \$20.4 million or 99.9% of its budgeted \$20.4 million in HB 2 authority. Of this total, the division had expended \$17.0 million, or nearly 100% of the \$17.0 million personal services budget and \$3.4 million, or 99.7% of the \$3.4 million operating expenses budget.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$0.1 million, or 0.7% higher than the FY 2018 total appropriation due to:

- 2017 Special Session reductions in primarily in FY 2018
 - \$0.6 million in state share costs and \$0.1 million for 17-7-140, MCA reductions
- FYE 2018 program transfers shifted authority as follows:
 - \$0.5 million from the Citizen Services & Resource Management Division into the Property Assessment Division
 - \$0.1 million from the Director's Office into the Property Assessment Division
- SB 294 pay plan increase in FY 2019 of about \$57,000

Executive Request

The executive is requesting an increase above the FY 2019 base in all funds of approximately \$2.2 million in both FY 2020 and FY 2021. Statewide present law adjustments for personal services is driving the requested increase.

The executive has one new proposal for reducing 6.85 FTE to make permanent certain reductions from SB 261 passed by the 2017 legislature. Further details on the executive proposals are provided in the Present Law Adjustments and New Proposal sections below.

Program Personal Services Narrative

Personal services were \$17.1 million or 83.3% of total base appropriations. The executive proposes an increase of approximately \$2.2 million in FY 2020 and \$2.2 million in FY 2021. Most of the increase is due to management decisions and the proposed reinstatement of personal services base budget reductions.

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 08-Property Assessment Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	45,441,427	0	0	0	45,441,427	99.93 %	
02088 SSR ADMINISTRATIVE FUNDS	33,047	0	0	0	33,047	100.00 %	
State Special Total	\$33,047	\$0	\$0	\$0	\$33,047	0.07 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$45,474,474	\$0	\$0	\$0	\$45,474,474		

Funding for the Property Assessment Division is almost entirely from the general fund. State special revenue is for the administration of the livestock per capita fee.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	20,556,864	20,556,864	41,113,728	90.48 %	20,571,165	20,571,165	41,142,330	90.47 %
SWPL Adjustments	2,625,731	2,622,234	5,247,965	11.55 %	2,627,959	2,624,451	5,252,410	11.55 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	(460,573)	(459,693)	(920,266)	(2.03)%	(460,573)	(459,693)	(920,266)	(2.02)%
Total Budget	\$22,722,022	\$22,719,405	\$45,441,427		\$22,738,551	\$22,735,923	\$45,474,474	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	2,668,547	2,228	0	2,670,775	0.00	2,656,069	2,217	0	2,658,286
DP 2 - Fixed Costs	0.00	(88,571)	0	0	(88,571)	0.00	(90,616)	0	0	(90,616)
DP 3 - Inflation Deflation	0.00	45,755	0	0	45,755	0.00	56,781	0	0	56,781
Grand Total All Present Law Adjustments	0.00	\$2,625,731	\$2,228	\$0	\$2,627,959	0.00	\$2,622,234	\$2,217	\$0	\$2,624,451

**“Total Funds” amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requires adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 12 - FTE Reductions	(6.85)	(460,573)	0	0	(460,573)	(6.85)	(459,693)	0	0	(459,693)
Total	(6.85)	(\$460,573)	\$0	\$0	(\$460,573)	(6.85)	(\$459,693)	\$0	\$0	(\$459,693)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 12 - FTE Reductions -

The budget includes a reduction of 6.85 FTE in the Property Assessment Division to make permanent certain reductions from SB 261 passed by the 2017 legislature by reducing general fund \$460,573 in FY 2020 and \$459,693 in FY 2021.