

**Agency Budget Comparison**

The following table compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Agency Budget Comparison				
Budget Item	Appropriated Budget 16-17	Legislative Budget 18-19	Biennium Change	Biennium % Change
Personal Services	86,909,674	84,813,116	(2,096,558)	(2.41)%
Operating Expenses	31,667,302	30,198,404	(1,468,898)	(4.64)%
Equipment & Intangible Assets	591,029	61,108	(529,921)	(89.66)%
Capital Outlay	39,980	0	(39,980)	(100.00)%
Transfers	268	0	(268)	(100.00)%
Debt Service	89,360	84,728	(4,632)	(5.18)%
<b>Total Expenditures</b>	<b>\$119,297,613</b>	<b>\$115,157,356</b>	<b>(\$4,140,257)</b>	<b>(3.47)%</b>
General Fund	110,125,565	106,044,842	(4,080,723)	(3.71)%
State/Other Special Rev. Funds	2,033,941	1,922,215	(111,726)	(5.49)%
Federal Spec. Rev. Funds	545,524	526,584	(18,940)	(3.47)%
Proprietary Funds	6,592,583	6,663,715	71,132	1.08%
<b>Total Funds</b>	<b>\$119,297,613</b>	<b>\$115,157,356</b>	<b>(\$4,140,257)</b>	<b>(3.47)%</b>
<b>Total Ongoing</b>	<b>\$118,163,301</b>	<b>\$114,907,356</b>	<b>(\$3,255,945)</b>	<b>(2.76)%</b>
<b>Total OTO</b>	<b>\$1,134,312</b>	<b>\$250,000</b>	<b>(\$884,312)</b>	<b>(77.96)%</b>

**Agency Description**

The Department of Revenue collects revenue from and enforces regulations for about 40 Montana taxes and fees.

In addition the department:

- Values all property and supervises Montana's property tax system
- Administers liquor laws
- Receives abandoned property and seeks to return it to its rightful Montana owners
- Administers unlocatable mineral trusts
- Informs and advises the Governor, the legislature, and the public on tax trends and issue

The Department is composed of the following five programs:

- The Director's Office
- Liquor Control Division
- Citizen Services and Resource Management
- Business and Income Tax Division
- Property Assessment Division

**Agency Highlights**

**Department of Revenue  
Major Budget Highlights**

- The legislature adopted a reduction of 2.8% or approximately \$3.3 million of the ongoing budget compared to the 2017 biennium appropriation. In addition, one-time-only funding was reduced \$0.9 million compared to the 2017 biennium. Significant changes adopted by the legislature include:
  - Reductions to general fund, state special revenue, and federal special revenue appropriations due to an additional 2% vacancy savings
  - Reductions to lower FY 2018 and FY 2019 base budgets to 5% below FY 2017 appropriations, excluding collectors and auditors in Citizen Services & Resource Management division and Business & Income Taxes division
  - Increases in appropriations for the Business and Income Taxes Division as well as Liquor Control Division to make three modified FTE positions permanent
  - Inclusion of the 2017 biennium base funding restoration for Property Assessment division related to the 2-year property reappraisal cycle
  - Increases in appropriations for overtime and termination payouts in the Liquor Control Division

### Agency Actuals and Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Legislative Fiscal 2018	Legislative Fiscal 2019
FTE	648.60	648.55	648.55	653.88	654.52
Personal Services	41,710,433	42,648,116	44,261,558	42,313,504	42,499,612
Operating Expenses	14,949,065	15,573,564	16,093,738	15,105,898	15,092,506
Equipment & Intangible Assets	560,431	560,475	30,554	30,554	30,554
Capital Outlay	39,980	39,980	0	0	0
Transfers	268	268	0	0	0
Debt Service	44,626	46,550	42,810	42,364	42,364
<b>Total Expenditures</b>	<b>\$57,304,803</b>	<b>\$58,868,953</b>	<b>\$60,428,660</b>	<b>\$57,492,320</b>	<b>\$57,665,036</b>
General Fund	52,867,941	54,314,344	55,811,221	52,942,360	53,102,482
State/Other Special Rev. Funds	1,016,393	1,016,392	1,017,549	959,482	962,733
Federal Spec. Rev. Funds	260,222	273,262	272,262	262,984	263,600
Proprietary Funds	3,160,247	3,264,955	3,327,628	3,327,494	3,336,221
<b>Total Funds</b>	<b>\$57,304,803</b>	<b>\$58,868,953</b>	<b>\$60,428,660</b>	<b>\$57,492,320</b>	<b>\$57,665,036</b>
<b>Total Ongoing</b>	<b>\$56,833,816</b>	<b>\$58,336,797</b>	<b>\$59,826,504</b>	<b>\$57,367,320</b>	<b>\$57,540,036</b>
<b>Total OTO</b>	<b>\$470,987</b>	<b>\$532,156</b>	<b>\$602,156</b>	<b>\$125,000</b>	<b>\$125,000</b>

**Summary of Legislative Action**

The legislature approved an ongoing budget for the Department of Revenue (DOR) with a total funds decrease of 2.8% over the 2017 biennium. The decrease is primarily due to cuts as a result of the 5% budget reductions and the additional 2% vacancy savings plans. One of the most significant changes in the budget is the addition of 5.97 FTE. This included 9.00 FTE in the Property Assessment Division, with modified positions becoming permanent for 2-year reappraisal work. 2.00 FTE in the Business and Income Taxes Division, with modified positions becoming permanent as part of the 2017 biennium base funding restoration. As well as 1.00 FTE in the Liquor Control Division, with a modified position becoming permanent for wine labeling. This was in conjunction with FTE cuts across all programs, with the exception of auditors and collectors, due to the 5% reduction plans resulting in a net increase of 5.97 FTE.

The legislature also reduced one-time-only funding by \$0.9 million or 78.0% over the 2017 biennium. One-time-only funding is limited to \$125,000 per fiscal year for termination payouts and overtime in the Liquor Control Division. This funding is for retirements and increased workload associated with the holiday season.

**Funding**

The following table shows adopted agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives.

Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	106,044,842	0	0	269,007,774	375,052,616	62.42 %
State Special Total	1,922,215	0	0	216,228,506	218,150,721	36.31 %
Federal Special Total	526,584	0	0	0	526,584	0.09 %
Proprietary Total	6,413,715	250,000	430,386	0	7,094,101	1.18 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$114,907,356</b>	<b>\$250,000</b>	<b>\$430,386</b>	<b>\$485,236,280</b>	<b>\$600,824,022</b>	
<b>Percent - Total All Sources</b>	<b>19.12 %</b>	<b>0.04 %</b>	<b>0.07 %</b>	<b>80.76 %</b>		

Department of Revenue (DOR) receives most of its funding, outside of the proprietary funds for the Liquor Control Division, from the general fund, with small amounts coming from state special and federal special revenue.

**Budget Summary by Category**

The following 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 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	55,364,366	55,364,366	110,728,732	104.42 %	59,826,504	59,826,504	119,653,008	103.90 %
SWPL Adjustments	327,540	274,942	602,482	0.57 %	350,658	311,940	662,598	0.58 %
PL Adjustments	(237,462)	(187,832)	(425,294)	(0.40)%	(113,708)	(64,078)	(177,786)	(0.15)%
New Proposals	(2,512,084)	(2,348,994)	(4,861,078)	(4.58)%	(2,571,134)	(2,409,330)	(4,980,464)	(4.32)%
<b>Total Budget</b>	<b>\$52,942,360</b>	<b>\$53,102,482</b>	<b>\$106,044,842</b>		<b>\$57,492,320</b>	<b>\$57,665,036</b>	<b>\$115,157,356</b>	

**Executive Budget Comparison**

The following table compares the legislative budget for the biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Approp. Fiscal 2017	Executive Budget Fiscal 2018	Legislative Budget Fiscal 2018	Leg — Exec. Difference Fiscal 2018	Executive Budget Fiscal 2019	Legislative Budget Fiscal 2019	Leg — Exec. Difference Fiscal 2019	Biennium Difference Fiscal 18-19
FTE	648.55	660.55	653.88	(6.67)	660.55	654.52	(6.03)	(6.03)
Personal Services	44,261,558	43,570,741	42,313,504	(1,257,237)	43,737,898	42,499,612	(1,238,286)	(2,495,523)
Operating Expenses	16,093,738	15,681,969	15,105,898	(576,071)	15,552,244	15,092,506	(459,738)	(1,035,809)
Equipment & Intangible Assets	30,554	30,554	30,554	0	30,554	30,554	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	42,810	42,364	42,364	0	42,364	42,364	0	0
<b>Total Costs</b>	<b>\$60,428,660</b>	<b>\$59,325,628</b>	<b>\$57,492,320</b>	<b>(\$1,833,308)</b>	<b>\$59,363,060</b>	<b>\$57,665,036</b>	<b>(\$1,698,024)</b>	<b>(\$3,531,332)</b>
General Fund	55,811,221	54,671,799	52,942,360	(1,729,439)	54,695,324	53,102,482	(1,592,842)	(3,322,281)
State/other Special Rev. Funds	1,017,549	1,009,346	959,482	(49,864)	1,013,195	962,733	(50,462)	(100,326)
Federal Spec. Rev. Funds	272,262	266,927	262,984	(3,943)	267,557	263,600	(3,957)	(7,900)
Other	3,327,628	3,377,556	3,327,494	(50,062)	3,386,984	3,336,221	(50,763)	(100,825)
<b>Total Funds</b>	<b>\$60,428,660</b>	<b>\$59,325,628</b>	<b>\$57,492,320</b>	<b>(\$1,833,308)</b>	<b>\$59,363,060</b>	<b>\$57,665,036</b>	<b>(\$1,698,024)</b>	<b>(\$3,531,332)</b>
<b>Total Ongoing</b>	<b>\$59,826,504</b>	<b>\$59,200,628</b>	<b>\$57,367,320</b>	<b>(\$1,833,308)</b>	<b>\$59,213,060</b>	<b>\$57,540,036</b>	<b>(\$1,673,024)</b>	<b>(\$3,506,332)</b>
<b>Total OTO</b>	<b>\$602,156</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$125,000</b>	<b>(\$25,000)</b>	<b>(\$25,000)</b>

The legislature adopted a budget that is approximately \$3.5 million less than the proposed executive budget for the 2019 biennium.

The major differences in the legislative budget compared to the executive budget are:

- The legislature adopted reductions to bring total base reductions proposed by the executive to 5% of the 2017 base budget but partially restored a portion of this reduction. In total, this was an additional reduction of approximately \$1.8 million over the 2019 biennium.
- The legislature adopted an additional 2% vacancy savings, which was a reduction of approximately \$1.7 million over the 2019 biennium
- The legislature adopted an increase in FY 2019 funding as a partial base budget restoration for voluntary decreases made in FY 2017 through HB 3. This included an increase of approximately \$0.2 million in FY 2019 and an increase of 0.64 FTE

### Language and Statutory Authority

The legislature included the following language to be included in HB 2:

"Liquor 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 \$151 million in FY 2018 and \$158 million in FY 2019. These costs are used to maintain adequate inventories necessary to meet statutory requirements, to pay freight costs and to transfer profits and taxes to appropriate accounts.