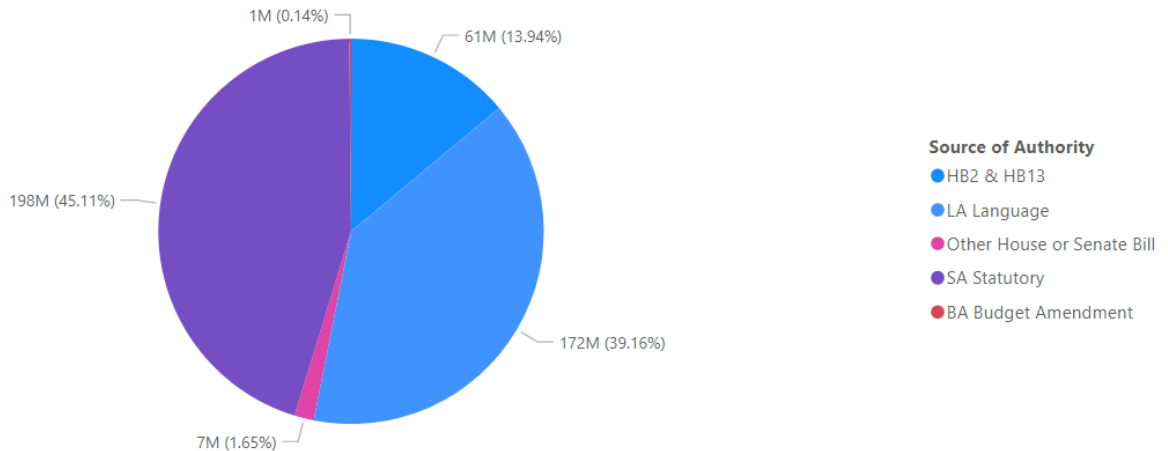


# DEPARTMENT OF REVENUE (DOR)

## TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 13.9% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	61,204,554	21,037,567	34.4%
LA Language	172,000,000	52,242,288	30.4%
Other House or Senate Bill	7,252,386	2,822,632	38.9%
SA Statutory	198,097,592	38,623,458	19.5%
BA Budget Amendment	624,613	22,064	3.5%
<b>Total</b>	<b>439,179,145</b>	<b>114,748,009</b>	<b>26.1%</b>

### FiscalMonth

- ☐ Select all
- ☒ Jul
- ☒ Aug
- ☒ Sep
- ☒ Oct
- ☒ Nov
- ☐ Dec
- ☐ Jan
- ☐ Feb
- ☐ Mar
- ☐ Apr
- ☐ May
- ☐ Jun

## Budget Amendments

The agency has one budget amendment totaling \$625,000 in FY 2022 for the Federal Royalty Audit Program in the Business and Income Taxes Division (BIT). This program consists of 4.50 ongoing FTE who conduct auditing and compliance services for the federal government on producers extracting minerals from federal lands within the state. The agency has expended approximately \$22,000 or 3.5% so far in FY 2022. These funds will be available until September 30, 2023.

## Language

Language appropriations account for 39.2% of the agencies total budget authority. The Alcoholic Beverage Control Division (ABCD) received HB 2 language appropriations of \$170.0 million in FY 2022 to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts from the liquor

enterprise fund. The Director's Office (DO) received HB 2 language appropriations of \$2.0 million in FY 2022 for payments to local governments for property taxes or fees under protest per 15-1-402(6)(d), MCA. The agency has expended approximately \$52.2 million or 30.4% of these language appropriations to date.

## **Other Bills**

Other house and senate bills account for \$7.3 million or 1.7% of the total FY 2022 budget for the Department of Revenue. HB 701 accounts for the majority, at \$6.9 million, of the other house and senate bill appropriations. During the 2021 Legislative Session, HB 701 was passed which established the Cannabis Control Division (CCD) in the Department of Revenue. The CCD is responsible for administering both recreational and medical marijuana programs.

Other house and senate bill appropriations are due to the implementation of:

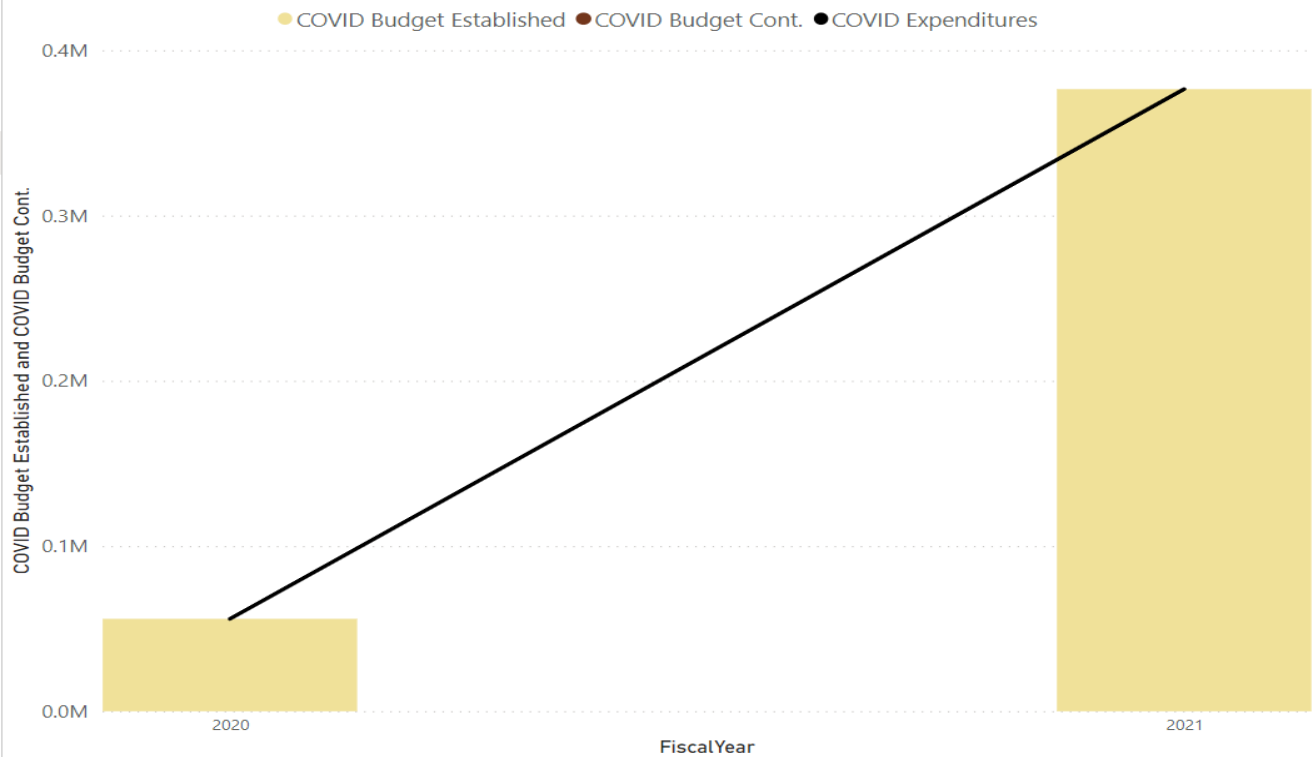
- HB 667 – tobacco tax allocation for operation and maintenance of state veterans' nursing homes
- SB 212 – revision of property tax bills
- SB 191 – provided funding for the following bills:
  - HB 279 – revision of laws related to the Tax Credit Scholarship Program and the Innovative Educational Program
  - HB 298 – revision of information that must be included on a property valuation statement
  - HB 525 – revision of alcohol concession agreement laws
  - HB 705 – revision of the alcohol and gambling law
  - SB 51 – exempting certain fiber optic or coaxial cable from property taxation
  - SB 126 – revision of property valuation appeal laws for residential property
  - SB 320 – alcohol delivery endorsement

The agency has expended approximately \$2.8 million or 38.9% of other house and senate bill appropriations through November 30, 2021.

## ***COVID-19 Authority***

The following chart is provided to allow the legislature to examine the funding that is available to the agency for COVID-19 impacts. Administrative authority for CARES I appropriations was allocated to the agency by the Governor's Office. Administrative authority is not an appropriation and thus is not included in the total appropriation authority shown on the previous page.

COVID Established Budget, COVID Continuing Budget, and COVID Expenditures by Fiscal Year



COVID Source	Total		
	COVID Budget Established	COVID Budget Continued	COVID Expenditures
CARES I (Plus Fed HR 6074 & 6201, 266)	432,490	-	432,489
<b>Total</b>	<b>432,490</b>	<b>-</b>	<b>432,490</b>

The majority of the CARES Act funds were for the ABCD (\$292,991) to address operating cost increases necessary to meet the demand for ABCD products during the COVID-19 pandemic. The ABCD manages the state's wholesale liquor operations, which supplies all liquor stores in Montana. DOR used this funding to hire temporary workers for rotating shifts in order to meet this increased demand and prevent a potential shut down due to pandemic-related workforce impacts.

The remaining CARES funds was distributed to the Director's Office (\$36,299), Technology Services Division (TSD; \$28,027), Information Management and Collections Division (IMCD; \$62,022), BIT (\$513), and the Property Assessment Division (PAD; \$12,638). These funds were used for various COVID supplies needed in the workplace including hand sanitizers, cleaning products, shields, and signage.

## Statutory Appropriations

Statutory appropriations account for 45.1% of the agency's total FY 2022 budget. Of the approximately \$198.1 million budgeted in FY 2022, \$38.6 million or 19.5% has been expended. Statutory appropriations are for the following:

- Tribal alcohol and cigarette cooperative agreement (18-11-101 through 18-11-121, MCA) – The state of Montana has taxation agreements with tribal nations for alcohol and cigarette sales in order to prevent possibilities of dual taxation while promoting state, local and tribal economic development. Appropriations from these agreements total \$5.3 million for FY 2022 with \$1.5 million or 28.0% being expended so far
- Oil and natural gas production tax (15-36-331 through 15-36-332, MCA) – All oil and natural gas producers are required to file an oil and natural gas production tax quarterly return where they will be taxed on the gross value of oil or natural gas sold. Local governments receive a portion of this revenue. Additionally, local governments distribute the revenue to various school retirement funds, countywide transportation funds, school districts, and community colleges. Oil and natural gas-related production tax appropriations total \$39.4 million. Quarterly distributions to local governments made in July and October were accrued at the end of fiscal year 2021. The next current year expenditure will not occur until January
- Metal mines distribution (15-37-117, MCA) – Individuals who operate any mine or mining property are required to pay a license tax which is based on the gross value of production. FY 2022 appropriations total \$6.5 million. A portion of this revenue is distributed semi-annually to local governments where the mine is located or a county is experiencing fiscal impacts from the mine. The distribution made in October was accrued at the end of FY 2021. The next current year expenditure will not occur until May
- Bentonite production tax distribution (15-39-110, MCA) –All bentonite producers must file a bentonite production tax return every six months. Statutory appropriations for the bentonite production tax total \$650,000. This revenue is distributed semi-annually to local governments where the production occurred: Bentonite County and Carbon County. The distribution made in September was accrued at the end of FY 2021. The next current year expenditure will not occur until March
- Entitlement share (15-1-121, MCA) – During the 2001 Legislative Session, the state of Montana assumed control of alcohol, vehicle, and gambling taxes as well as district court fees for local governments. In return, the state reimburses each local government in the form of an entitlement share. Statutory appropriations for entitlement share payments total \$146.0 million in FY 2022 and approximately \$37.0 million or 25.4% has been expended to date
- Film production tax credit fee (15-31-1005(7), MCA)– The Montana Legislature established the MEDIA Act (2019 Legislative Session) which provides a transferable income tax credit to eligible film production companies. In order to determine a company's eligibility, they must file an application with both the Department of Commerce and the Department of Revenue. Application fee revenue is used for the department to administer the program. For FY 2022, the agency has received \$20,000 in statutory appropriations with no expenditures to date
- Cigarette tax stamps – The state of Montana charges a tax on cigarettes sold by selling tax decals to wholesalers who then attach the decal to each pack of cigarettes sold in Montana. For FY 2022, appropriations from this source total approximately \$66,000 and \$14,000 or 21.0% has been expended

- Out-of-State Debt Collections-The department has contracts with out-of-state attorneys for the out-of-state collections of taxes, fees, and other debts owed to the state. The costs of collection are statutorily appropriated. The FY 2022 appropriation totals \$200,000, with \$108,000 or 53.8% expended

## HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget through November 30, 2021. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

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

Agency Name	Legislative Budget	Modified Budget	Net Modifications
<b>Department of Revenue</b>	<b>61,204,554</b>	<b>61,204,554</b>	<b>0</b>
ALCOHOLIC BEVERAGE CONTROL DIV	3,284,646	3,282,818	-1,828
BUSINESS & INCOME TAXES DIV	12,058,430	11,296,306	-762,124
DIRECTORS OFFICE	8,324,540	8,544,082	219,542
INFORMATION MGMT & COLLECTIONS	6,554,297	6,637,598	83,301
PROPERTY ASSESSMENT DIVISION	22,556,892	23,047,924	491,032
TECHNOLOGY SERVICES DIVISION	8,425,749	8,395,825	-29,924
<b>Total</b>	<b>61,204,554</b>	<b>61,204,554</b>	<b>0</b>

Acct & Lvl 1 DESC	Legislative Budget	Modified Budget	Net Modifications
61000 Personal Services	45,155,277	45,155,277	0
62000 Operating Expenses	15,835,282	15,939,984	104,702
63000 Equipment & Intangible Assets	135,256	30,554	-104,702
68000 Transfers-out	1,500	1,500	
69000 Debt Service	77,239	77,239	

Fund Type	Legislative Budget	Modified Budget	Net Modifications
01 General	56,220,268	56,220,268	0
02 State/Other Spec Rev	993,626	993,626	
03 Fed/Other Spec Rev	279,825	279,825	
06 Enterprise	3,710,835	3,710,835	

The agency has made many modifications to the HB 2 FY 2022 budget which includes a reorganization, program transfers, and the reallocation of the additional 1.0% vacancy savings that was established during the 2021 Legislative Session. The following details the changes made to the budget:

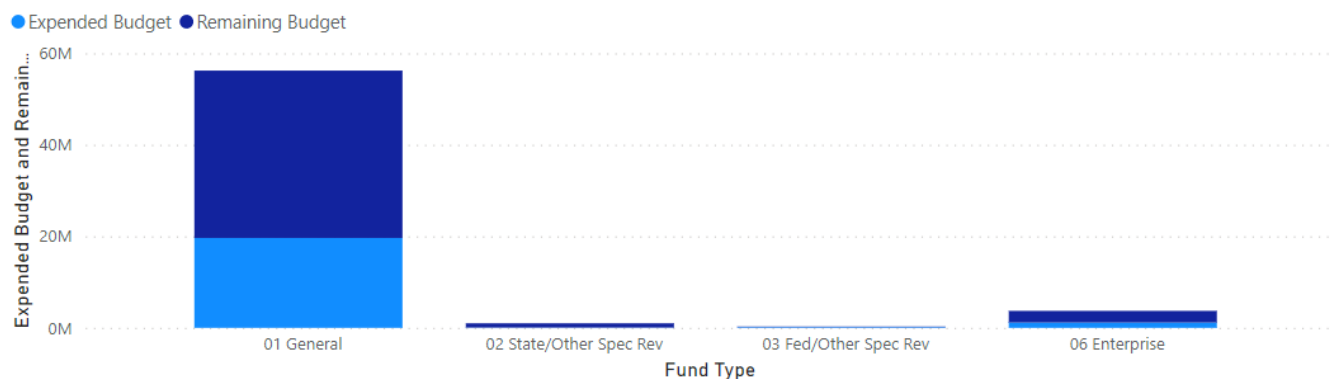
- An additional 1.0% vacancy savings was allocated to the Director's Office during the 2021 Legislative Session. Language in HB 2 allowed DOR to reallocate the reduction among the various divisions. The agency redistributed the additional 1.0% vacancy savings to the TSD (\$31,752), IMCD (\$48,447), BIT (\$105,307), and PAD (\$216,496), thus reducing those programs FY 2022 budget and increasing the Director's Office budget (\$402,001)

- The ABCD's budget was reduced by \$1,828 due to a transfer of personal services authority to the TSD. The ABCD was given personal service authority in general fund rather than proprietary, this budget change moves the general fund authority
- BIT had a reorganization which transferred all industrial appraisers from BIT into PAD so all appraisers would be housed in one program. This transferred 6.50 FTE and \$541,751 from BIT to PAD
- The Director's Office transferred 1.00 FTE and associated funding of \$108,244 to PAD to provide management to the industrial appraisers that were transferred in the reorganization
- In addition to the reorganization, BIT transferred 2.00 FTE and the corresponding personal services and operating costs of \$115,067. These FTE and funds were split equally between PAD and IMCD to help with increased workload
- The Director's Office transferred 1.00 FTE, related to a publications editor position, and the corresponding funding of \$74,215 to IMCD to better streamline processes for the annual forms review process
- DOR transferred appropriations of \$104,702 from equipment and intangible assets to operating expenses to pay for increased contracts in the 2023 biennium. This is a correction as the agency entered the wrong account level in their budget

## HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through November 30, 2021.

Expended Budget and Remaining Budget by Fund Type - HB 2 Only



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	45,155,277	17,348,211	38.4%
Operating Expenses	15,939,984	3,675,070	23.1%
Equipment & Intangible Assets	30,554	2,316	7.6%
Transfers-out	1,500		
Debt Service	77,239	11,970	15.5%

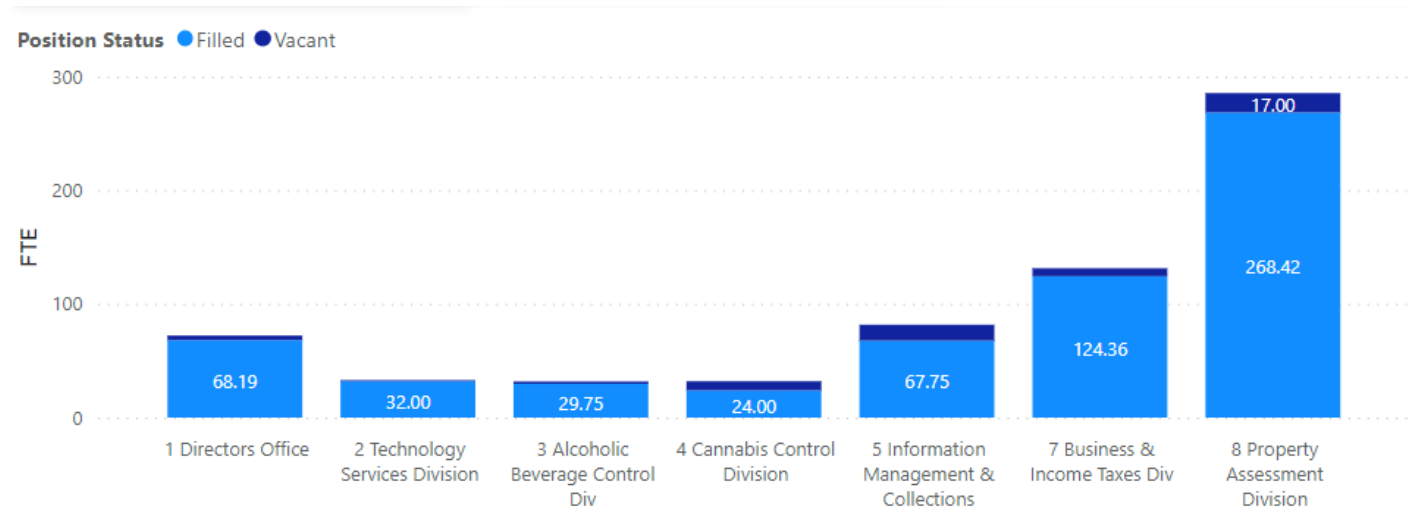
Program Name	Modified Budget	Expended Budget	Percent Expended
ALCOHOLIC BEVERAGE CONTROL DIV	3,282,818	1,167,196	35.6%
BUSINESS & INCOME TAXES DIV	11,296,306	4,232,902	37.5%
DIRECTORS OFFICE	8,544,082	2,848,563	33.3%
INFORMATION MGMT & COLLECTIONS	6,637,598	2,032,196	30.6%
PROPERTY ASSESSMENT DIVISION	23,047,924	8,884,696	38.5%
TECHNOLOGY SERVICES DIVISION	8,395,825	1,872,016	22.3%
<b>Total</b>	<b>61,204,554</b>	<b>21,037,567</b>	<b>34.4%</b>

The agency's HB 2 modified budget for FY 2022 is \$61.2 million, of which the agency expended \$21.0 million or 34.4%. The majority of these appropriations are in general fund for personal service expenditures.

The Cannabis Control Division was established under HB 701 for FY 2022 and 2023. Therefore, the programs budget has no HB 2 authority. The Cannabis Control Division's budget for FY 2022 is approximately \$3.3 million and the agency has expended \$1.2 million or 37.9% thus far.

## Personal Services

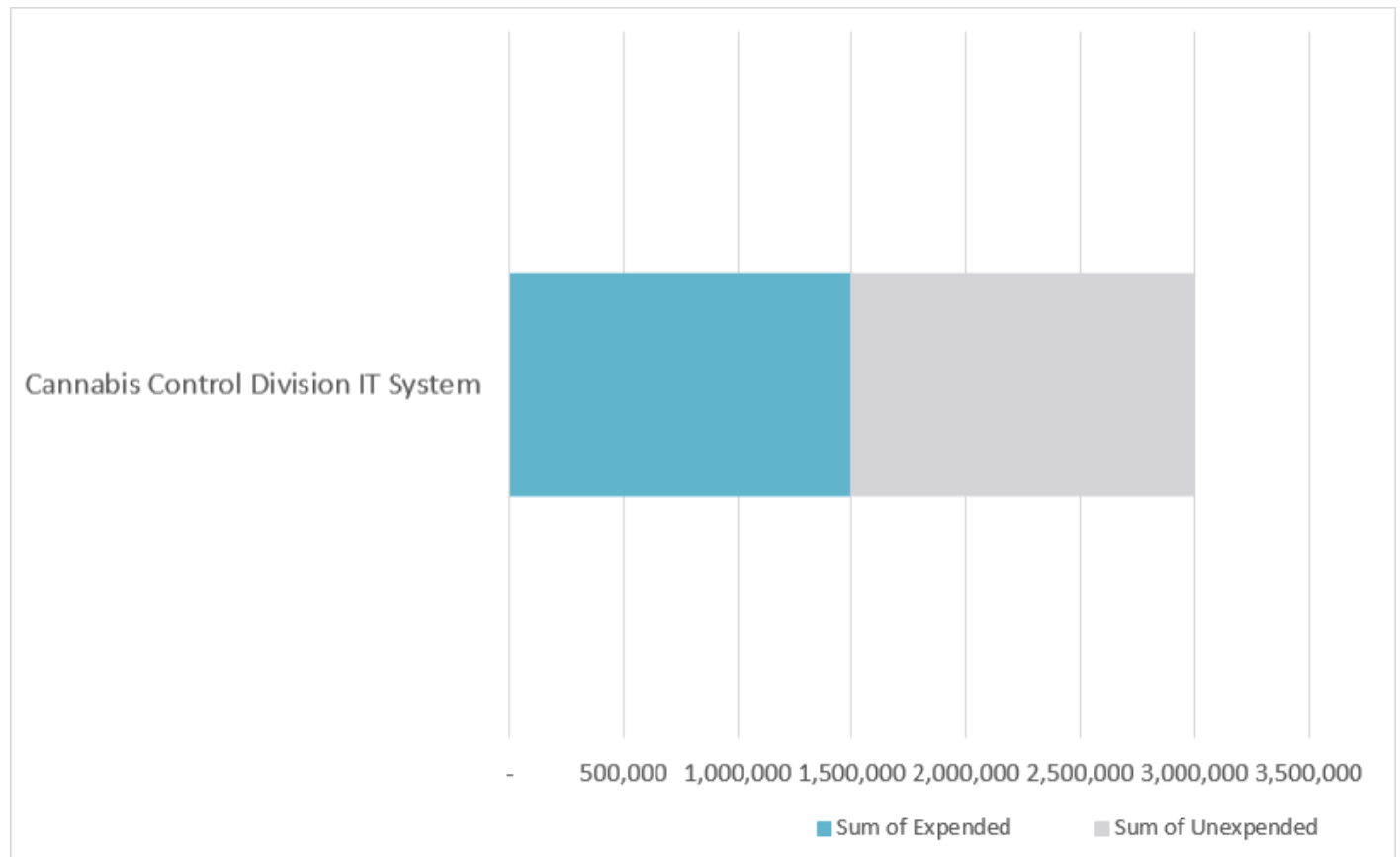
The following chart shows the filled and vacant FTE within the agency as of November 1, 2021.



The agency's HB 2 personal services budget for FY 2022 totals \$45.2 million, of which the agency has expended \$17.3 million or 38.4% through November 30, 2021. The agency has 659.67 FTE and as of November 1, 2021 and has 52.95 vacant FTE positions. The majority of these vacancies are in PAD (17.00 FTE). In FY 2022, 72 positions received longevity pay raises, 10 positions were reclassified, and 9 positions had career ladder pay increases. The majority of the reclassified positions were for license permit technicians in the Cannabis Control Division. Other reclassifications in the Cannabis Control Division include an administrative assistant and a project management specialist. These positions were originally classified as medical marijuana facility/regulation premise inspectors.

## OTHER ISSUES

### Information Technology Project Expenditures



Large Information Technology Projects Original and Revised Budgets			
Project	Original Budget	Revised Budget	Change from Original Budget
Cannabis Control Division IT System	3,000,000	3,000,000	0.0%

Large Information Technology Projects Original and Revised Delivery Date				
Project	Start Date	Original Delivery Date	Revised Delivery Date	Change from Original Delivery Date
Cannabis Control Division IT System	7/1/2021	2/2/2022	N/A	0.0%

Due to the passage of HB 701 by the 2021 Legislature, implementation of the Cannabis Control Division, DOR requires an update and configuration of the GenTax system to incorporate the new tax type for recreational marijuana taxation and for administering local option taxes and the various license types required in the legislation. The Cannabis Control Division began this project July 1, 2021 with a budget of \$3.0 million and to date has expended \$1.5 million. The department estimates a completion date of February 2, 2022.