

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY17-18 Executive Budget Review

DEPARTMENT OF REVENUE

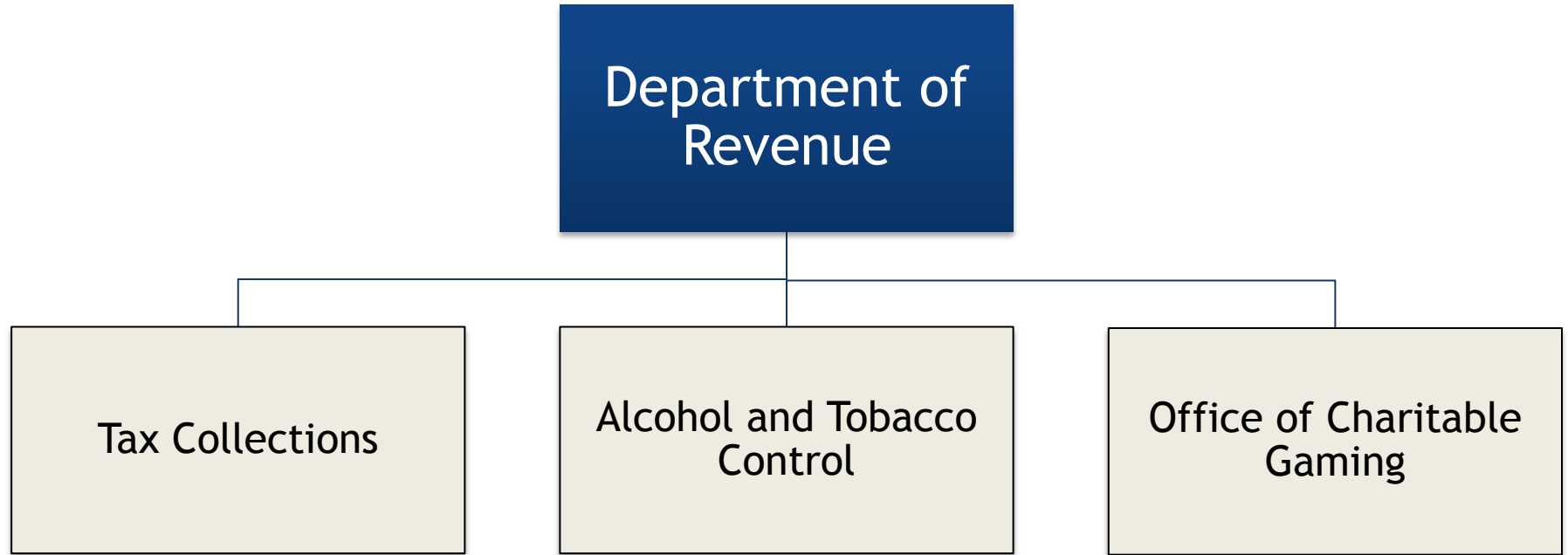
House Committee on Appropriations
Prepared by the House Fiscal Division

March 29, 2017

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DEPARTMENT ORGANIZATION



DEPARTMENT FUNCTIONS

Tax Collection

The Tax Collection Program Includes:

- Tax Policy Management - Prepares fiscal notes, analyzes and drafts legislation, drafts rules and coordinates the rule-making process, drafts other interpretative statements, and engages in a number of stakeholder efforts to address emerging and/or sensitive policy issues.
- Revenue Collection & Distribution - Registers taxpayers, processes tax returns and remittances, maintains taxpayer accounts, and handles accounting for and distributing state and local tax revenues.
- Taxpayer Assistance - Helps taxpayers understand their tax reporting and payment obligations via telephone and personal contact, responds to written inquiries, outreach opportunities, consultation visits, and processing of tax exemptions, certifications, permits, and clearances.
- Tax Compliance - Examines, audits, or investigates returns, refund and rebate claims, and reports. Staff conducts tax return examinations and reconciles internal and external information to identify non-filers and under reporters. Field staff, located throughout this state and the United States, conduct audits of businesses that have activity in Louisiana by working directly with taxpayers to identify and correct improper reporting.
- Tax Enforcement - Collects tax dollars owed on delinquent accounts, investigates tax fraud and evasion, and defends the state's interest through litigation of tax issues.
- Administration - Manages the agency through executive oversight, internal auditing, accounting and budgeting, payroll administration, facilities management, purchasing, human resources, organizational development, forms management, mail services and technology management.



DEPARTMENT FUNCTIONS

Alcohol and Tobacco Control

The Alcohol and Tobacco Control Program Includes:

- Administration and Certification Division - Responsible for licensing alcoholic beverage licenses and tobacco licenses and vendor providers, trainers, and servers. The Administrative Division issues approximately 30,000 alcohol and tobacco permits statewide annually, as well as over 100,000 responsible vendor permits annually.
- Enforcement Division - Responsible for enforcing Title 26, the Beer and Liquor Law, and the Louisiana Administrative Code, and responsible for conducting random inspections at locations where alcoholic beverages and tobacco products are sold. Agents also investigate current license holders' operations to ensure compliance with complex fair trade laws that govern the industries. Conducts over 20,000 inspections annually and responds to compliance checks annually.



The mission of the Office of Alcohol and Tobacco Control (ATC) is to regulate the alcoholic beverage and tobacco industries and to consistently enforce state regulations under Title 26.

DEPARTMENT FUNCTIONS

Office of Charitable Gaming

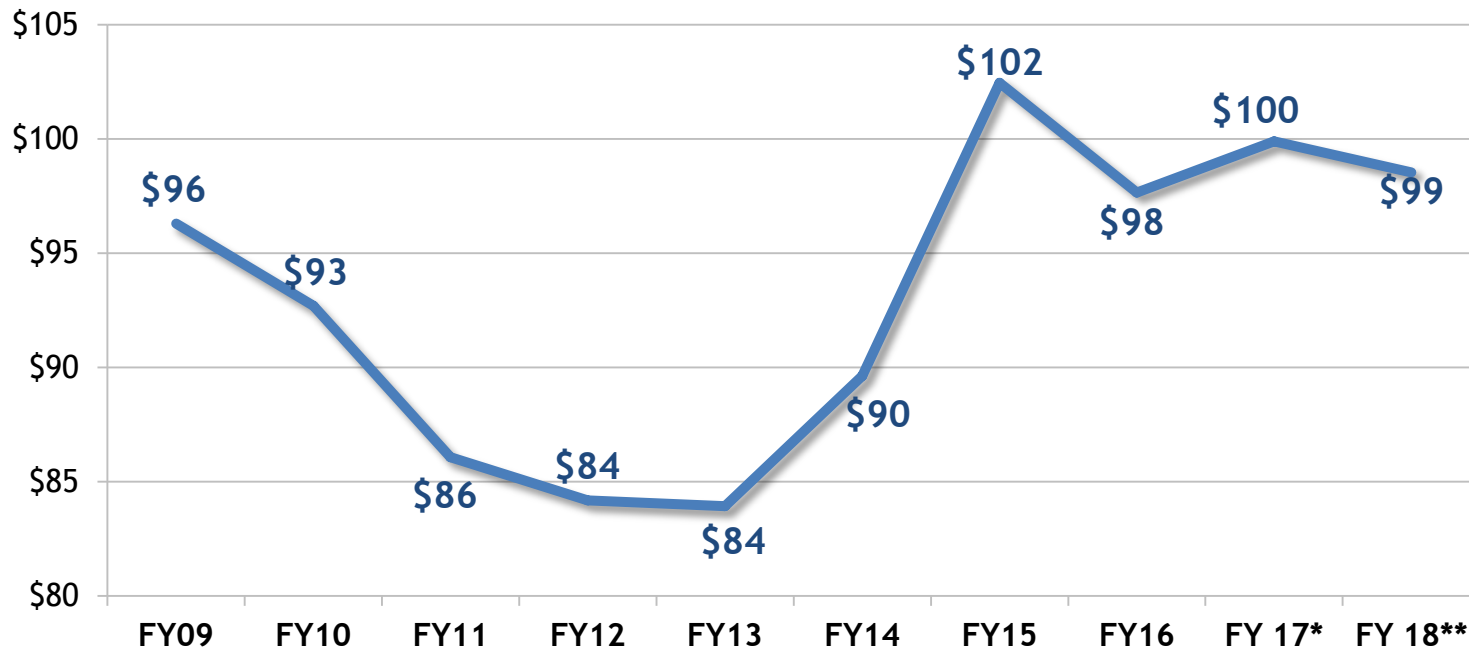
The Office of Charitable Gaming Includes:

- Administrative Section - Responsible for administering and enforcing the laws and regulations associated with the activities of charitable gaming.
- Certification Section - Responsible for the review of applications requesting a license to conduct charitable gaming activities and the issuance of licenses.
- Audit and Enforcement Section - Responsible for on-site inspection of gaming activities, training of organizations, review of required books and records maintained by organizations, and enforcement of gaming laws and regulations.



The mission of the Charitable Gaming Program is to administer efficiently and effectively the state's tax and regulatory statutes in a manner that will generate the highest degree of public confidence in the Department's integrity and fairness

BUDGET HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/16
**Governor's Executive Budget Recommendation

MAJOR SOURCES OF REVENUE

Self Generated Revenue \$65.8 million

- Revenue from late payment/delinquent fees and negligence fees
- Various licenses, permits, and fines.

Statutory Dedications \$543,583

Tobacco Regulation Enforcement Fund receives revenues from one quarter of one twentieth of one cent per cigarette from the tax on cigarettes.

Interagency Transfers \$243,000

Received from the Department of Highway Safety (\$165,000) and the Department of Health (\$75,000) to the Alcohol and Tobacco Control program to perform random unannounced inspections at locations where alcohol and tobacco products are sold to enforce laws prohibiting sales to underage consumers.

MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 12/1/16	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$14,715,662	\$44,207,089	\$31,944,804	(\$12,262,285)	(27.7%)
Interagency Transfers	\$232,521	\$243,000	\$243,000	\$0	0.0%
Fees and Self-Gen Rev.	\$82,173,383	\$54,809,357	\$65,802,091	\$10,992,734	20.1%
Statutory Dedications	\$531,385	\$628,583	\$543,583	(\$85,000)	(13.5%)
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Total Means of Finance	\$97,652,951	\$99,888,029	\$98,533,478	(\$1,354,551)	(1.4%)
State Effort	\$97,420,430	\$99,645,029	\$98,290,478	(\$1,354,551)	(1.4%)

Source: Executive Budget Supporting Documents

MEANS OF FINANCE BREAKDOWN - AFTER DEFICITS

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 3/1/17	FY 17-18 Executive Budget Recommendation	\$ Change from Existing 3/1/17	% Change from Existing 3/1/17
State General Fund	\$14,715,662	\$13,515,638	\$31,944,804	\$18,429,166	136.4%
Interagency Transfers	\$232,521	\$243,000	\$243,000	\$0	0.0%
Fees and Self-Gen Rev.	\$82,173,383	\$83,290,454	\$65,802,091	(\$17,488,363)	(21.0%)
Statutory Dedications	\$531,385	\$628,583	\$543,583	(\$85,000)	(13.5%)
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Total Means of Finance	\$97,652,951	\$97,677,675	\$98,533,478	\$855,803	0.9%
State Effort	\$97,420,430	\$97,434,675	\$98,290,478	\$855,803	0.9%

1st Deficit Plan (\$28.4 Million)

SGF

Net reduction was \$3.0 Million. Of the State General Fund reduced, \$28.5 Million was replaced by Fees & Self-generated Revenues.

2nd Deficit Plan (\$2.2 Million)

SGF

Reduction was absorbed primarily through the cancellation of the Tier 1 Call Contract and savings through attrition.

These comparisons are to the Existing Operating Budget at March 1, 2017 which includes all adjustments since December 1, 2016 including the two mid-year deficit reductions.

MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Tax Collections	\$90,853,225	\$91,680,730	\$90,095,989	(\$1,584,741)	(1.7%)
Alcohol and Tobacco Control	\$4,921,489	\$5,877,706	\$6,126,601	\$248,895	4.2%
Office of Charitable Gaming	\$1,878,237	\$2,329,593	\$2,310,888	(\$18,705)	(0.8%)
Total Means of Finance	\$97,652,951	\$99,888,029	\$98,533,478	(\$1,354,551)	(1.4%)

Source: Executive Budget Supporting Documents

SIGNIFICANT ADJUSTMENTS



**\$11.6
Million**

- Increases Fees & Self-generated Revenue and decreases State General Fund to align with the latest FY18 revenue projections for the department. The department projects to collect \$67.4 million in FY 18. This includes utilizing a projected cash balance of about \$10 million from FY 17.



\$1.5 Million
Fees & Self-
generated
Revenue

- Non recurs Fees & Self-generated Revenue funding for Professional Services. The department is ending the Tier 1 Call Center contract and is instead going to provide the service internally.



\$1.5 Million
Fees & Self-
generated
Revenue

- Reduces Fees & Self-generated Revenue funding for the 20 positions that were eliminated from the department in the FY 18 Executive Budget. These positions remained vacant for the majority of FY 17 and the associated funding was used to absorb midyear reductions.

EXPENDITURE BREAKDOWN

Expenditure	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$35,842,071	\$35,437,563	\$37,109,047	\$1,671,484	4.7%
Other Compensation	\$1,704,752	\$1,671,536	\$1,671,536	\$0	0.0%
Related Benefits	\$23,083,310	\$25,235,707	\$24,386,674	(\$849,033)	(3.4%)
Travel	\$634,762	\$552,094	\$802,094	\$250,000	45.3%
Operating Services	\$7,010,428	\$6,727,922	\$6,727,922	\$0	0.0%
Supplies	\$240,330	\$378,052	\$378,052	\$0	0.0%
Professional Services	\$5,193,270	\$3,254,030	\$1,682,352	(\$1,571,678)	(48.3%)
Other Charges	\$23,914,085	\$26,491,570	\$25,538,985	(\$952,585)	(3.6%)
Acq/Major Repairs	\$29,943	\$139,555	\$236,816	\$97,261	69.7%
Unallotted	\$0	\$0	\$0	\$0	0.0%
Total Expenditures	\$97,652,951	\$99,888,029	\$98,533,478	(\$1,354,551)	(1.4%)
Authorized Positions	700	713	693	(20)	(2.8%)

SIGNIFICANT EXPENDITURE CHANGES

Salaries \$1,671,484

- Net adjustment to fully fund their current allotted positions. The budget was increased by \$3.6 million to fully fund their currently filled positions and their 64 vacant positions. An attrition charge of approximately \$300,000 was reduced. Lastly, 20 vacant positions were eliminated from the department's budget along with the \$1.5 million in associated funding.

Travel \$250,000

- Funds travel to conduct on site audits on taxpayers.

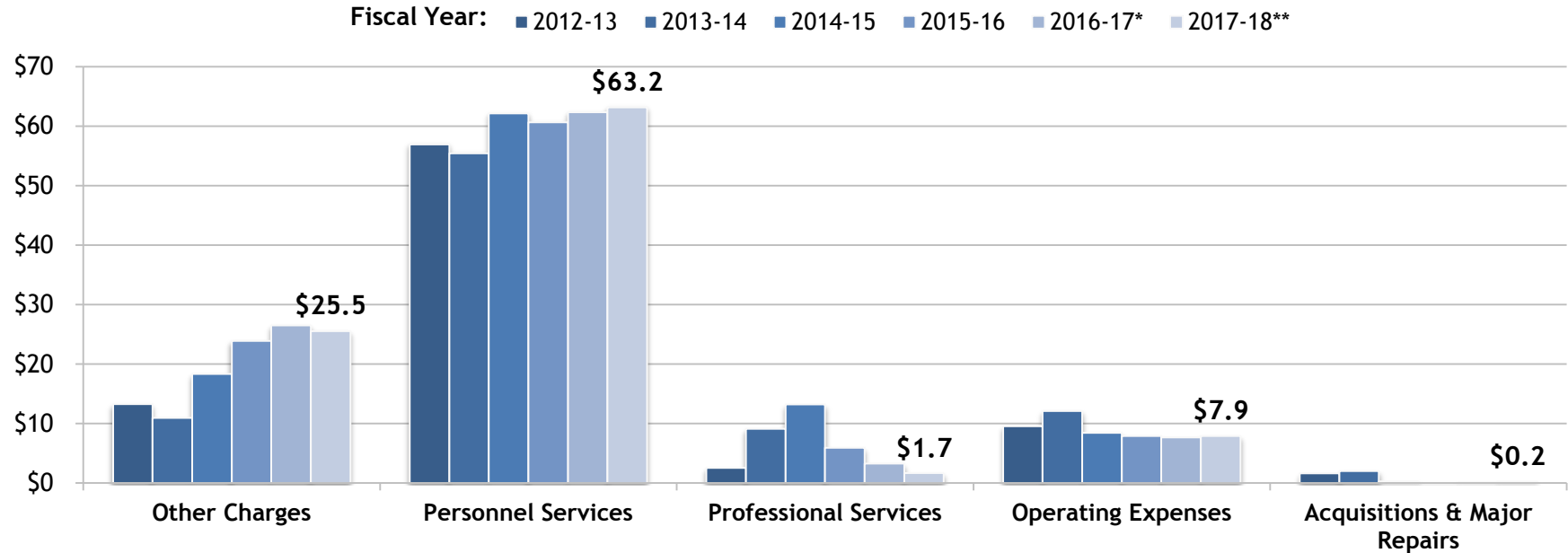
Professional Services (\$1,571,678)

- Primarily reduces funding that was previously for the Tier 1 Call Center contract. Instead, the services will be done in-house by department staff.

Other Charges (\$952,585)

- Primarily due to the reduction in billing costs from the Office of Technology Service (OTS) in FY18 compared to the amount billed for the current fiscal year.

EXPENDITURE HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/16

**Governor's Executive Budget Recommendation

OTHER CHARGES

AMOUNT	DESCRIPTION
\$16,597,363	Total Office of Technology Services Payments
\$3,429,739	Rent in State-owned Buildings
\$2,799,791	Statewide Standard Interagency Transfers Billing
\$848,262	Other charges positions to handle call center operations in place of the Tier 1 Contract
\$616,848	Distribution to local sales tax jurisdictions pursuant at R.S. 47:302(K)
\$385,632	State Treasurer - Central Banking Service Fees
\$293,000	Travel in state/ ATC investigator expenses
\$250,000	Board of Tax Appeals
\$168,350	BLAIR (Bingo, Licensing, Accounting, Inventory Reporting) System
\$150,000	Attorney General-Fraud Investigation
\$25,538,985	OTHER CHARGES TOTAL

So

DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET

**\$98.5
Million**

**\$243,000 IAT
Double Count**

**\$ 98.3
Million
Remaining**

Self Generated
Revenue
\$ 65.8 Million

Statutory
Dedications
\$ 543,583

State General Fund
\$ 31.9 Million

Non Discretionary
\$0

Discretionary
\$31.9 Million

Tax Collection
\$31.9 Million

Source: Office of Planning and Budget

PERSONNEL INFORMATION

Personnel/Budget Ratio

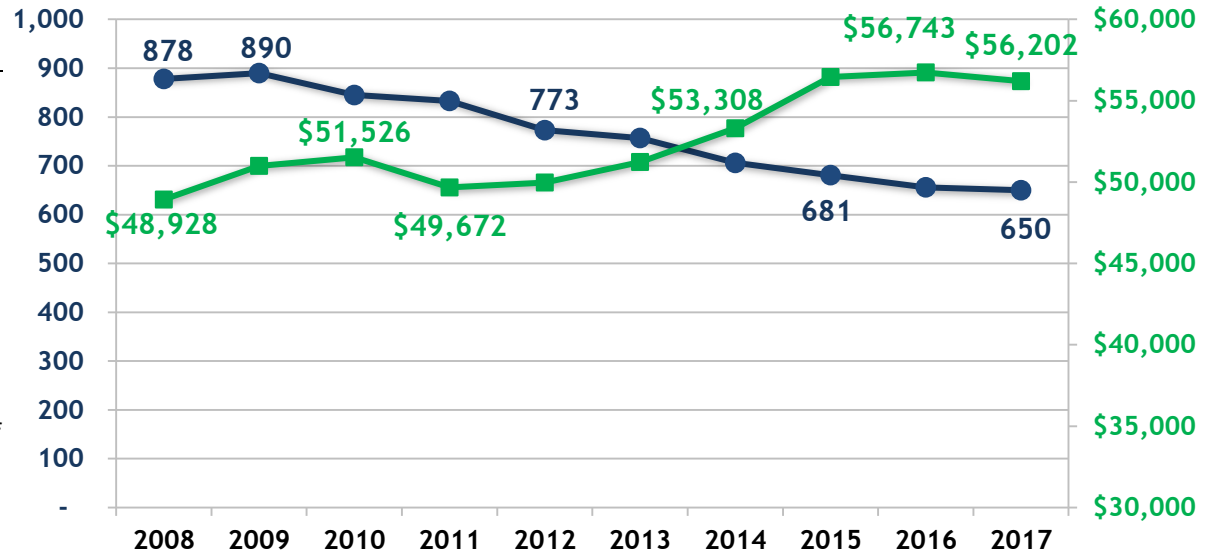
\$38.8 M	Salaries and Other Comp.
+ \$ 24.4 M	Related Benefits
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= \$ 63.2 M	Total Personnel Services

86.3% of budget expenditures
(excluding Other Charges)

Authorized Positions

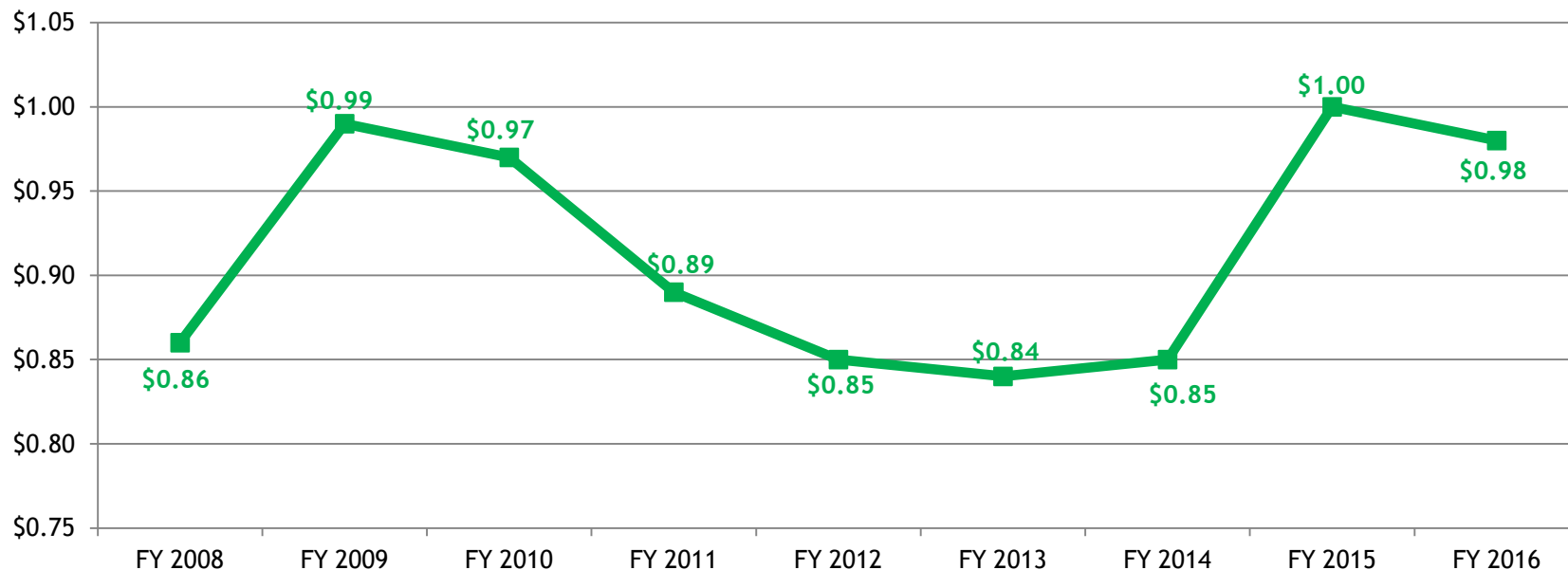
- 693 (681 classified and 12 unclassified)
- 6 full-time non-T.O. positions
- 15 Other Charges Positions
- The Department of Revenue had 64 vacancies as of 1/27/2017
- In the FY 18 Executive Budget Recommendations, 20 vacancies were eliminated.

10 Year FTE Positions/Avg Salary



Source: FTE and Average Salary data provided by the Dept. of Civil Service

AVERAGE COST TO COLLECT \$100 OF REVENUE

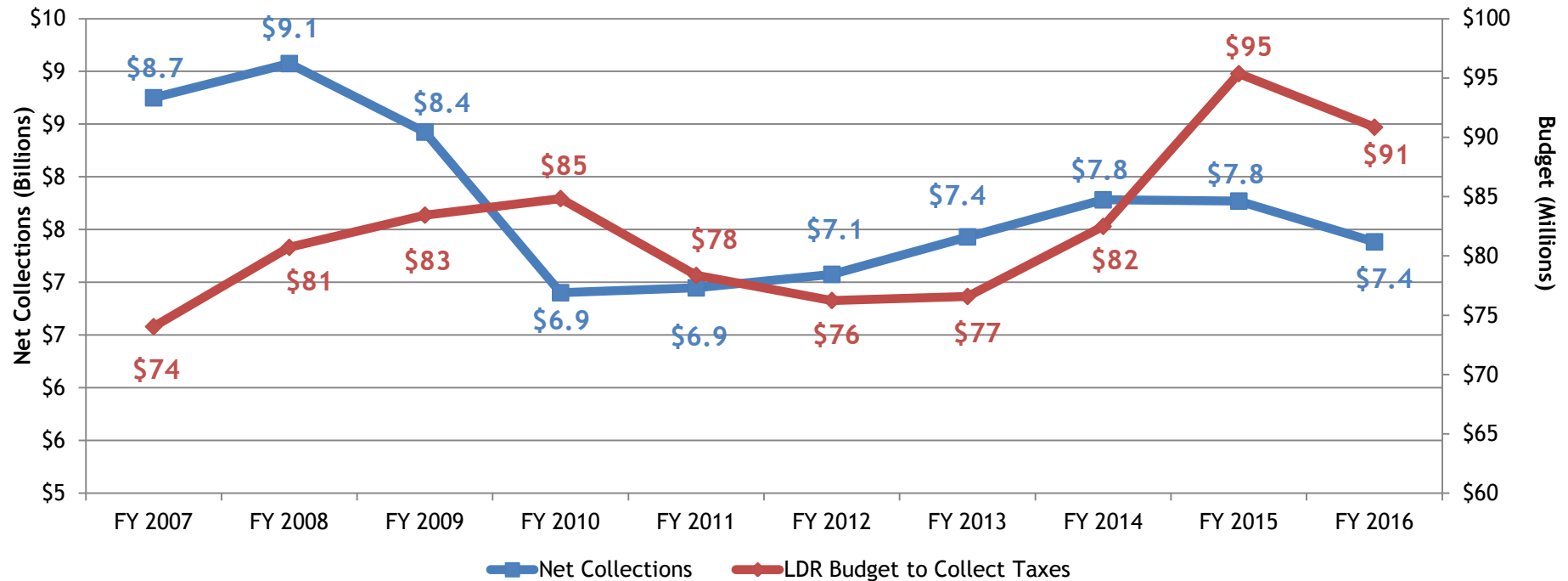


Note:

- Increases from FY 2008 to 2009 and FY 2014 to 2015 are due to increases in expenditures in the Tax Collections program without a sharp increase in revenue collected.

Source: Executive Budget Supporting Documents

TREND OF NET COLLECTIONS COMPARED TO BUDGET



Source: Executive Budget Supporting Documents

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