

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY18-19 Executive Budget Review DEPARTMENT OF REVENUE

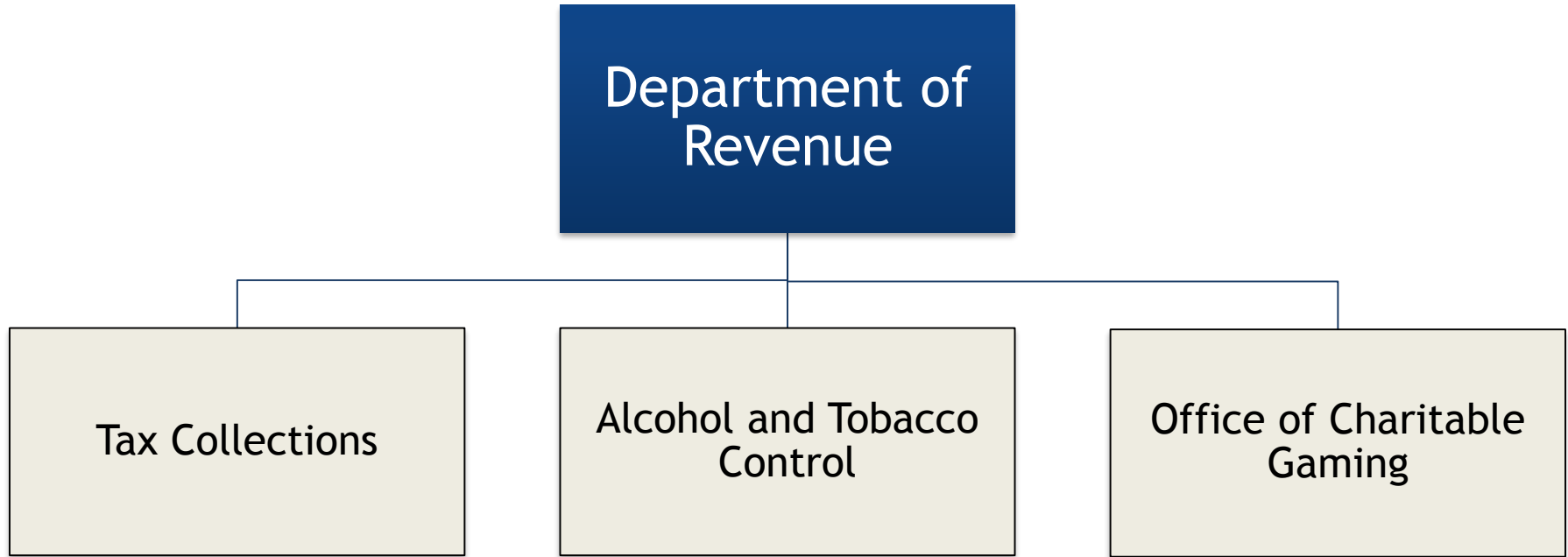
House Committee on Appropriations
by the House Fiscal Division

March 19, 2018

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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

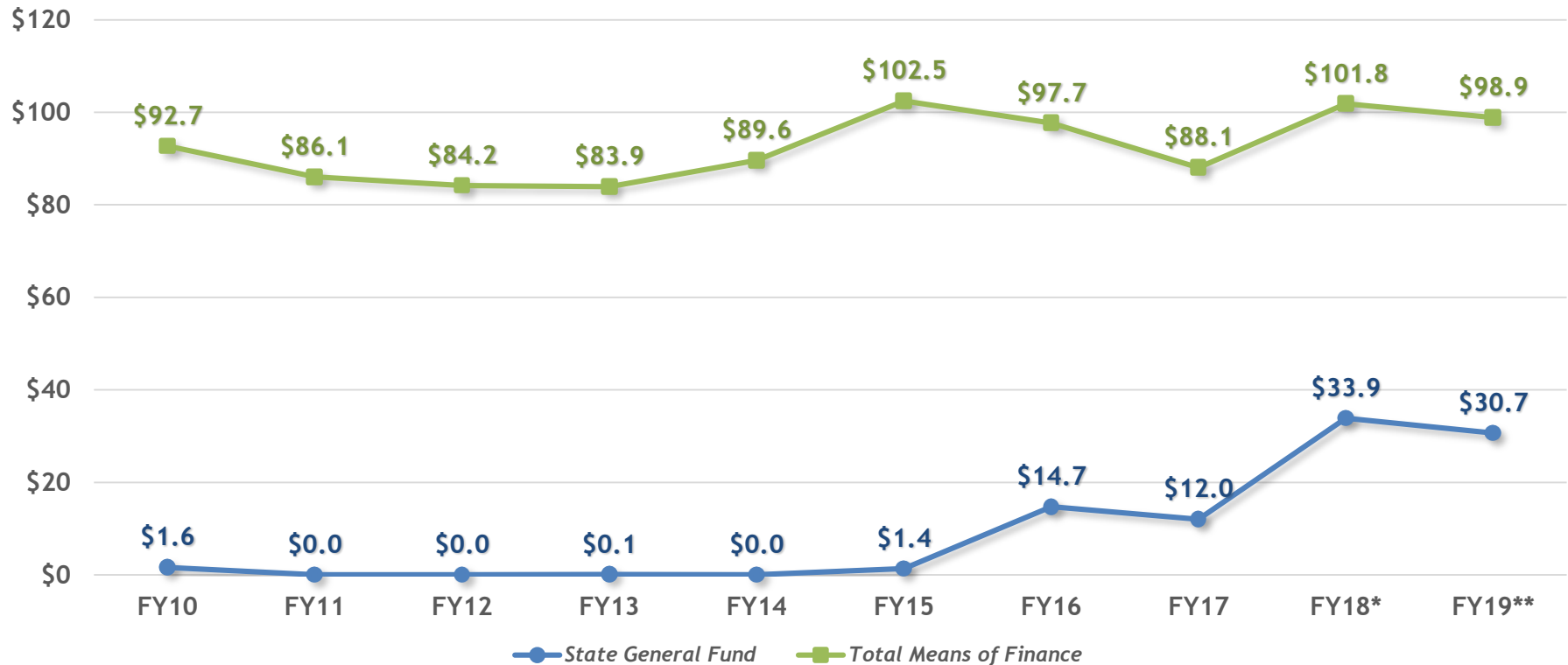
The Office of Charitable Gaming Includes:

- 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 12/1/17

**Executive Budget Recommendation

MAJOR SOURCES OF FUNDING

Self Generated Revenue \$67.4 Million

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

Statutory Dedications \$550,000

Tobacco Regulation Enforcement Fund receives revenues from one quarter of one twentieth of one cent (.0125%) per cigarette from the tax on cigarettes.

Interagency Transfers \$285,000

Received from the Department of Public Safety (\$165,000) and the Department of Health (\$120,000) 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.

FUNDING OVERVIEW

Means of Financing	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$12,040,331	\$33,892,165	\$30,669,333	(\$3,222,832)	(9.5%)
Interagency Transfers	\$219,816	\$285,000	\$285,000	\$0	0.0%
Fees and Self-Gen Rev	\$75,222,816	\$67,107,815	\$67,403,092	\$295,277	0.4%
Statutory Dedications	\$571,049	\$543,583	\$550,000	\$6,417	1.2%
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Total Means of Finance	\$88,054,012	\$101,828,563	\$98,907,425	(\$2,921,138)	(2.9%)



\$2.3M State General Fund

To address the projected FY 19 State General Fund budget shortfall.



\$295,277 Fees & Self-Gen Rev

Due to increase in REC forecast for FY 19 this increase will not utilize any projected fund balance.



\$6,417 Statutory Dedications

Due to increase in REC forecast for FY 19 for the Tobacco Regulation Enforcement Fund due to increase in tobacco sales.



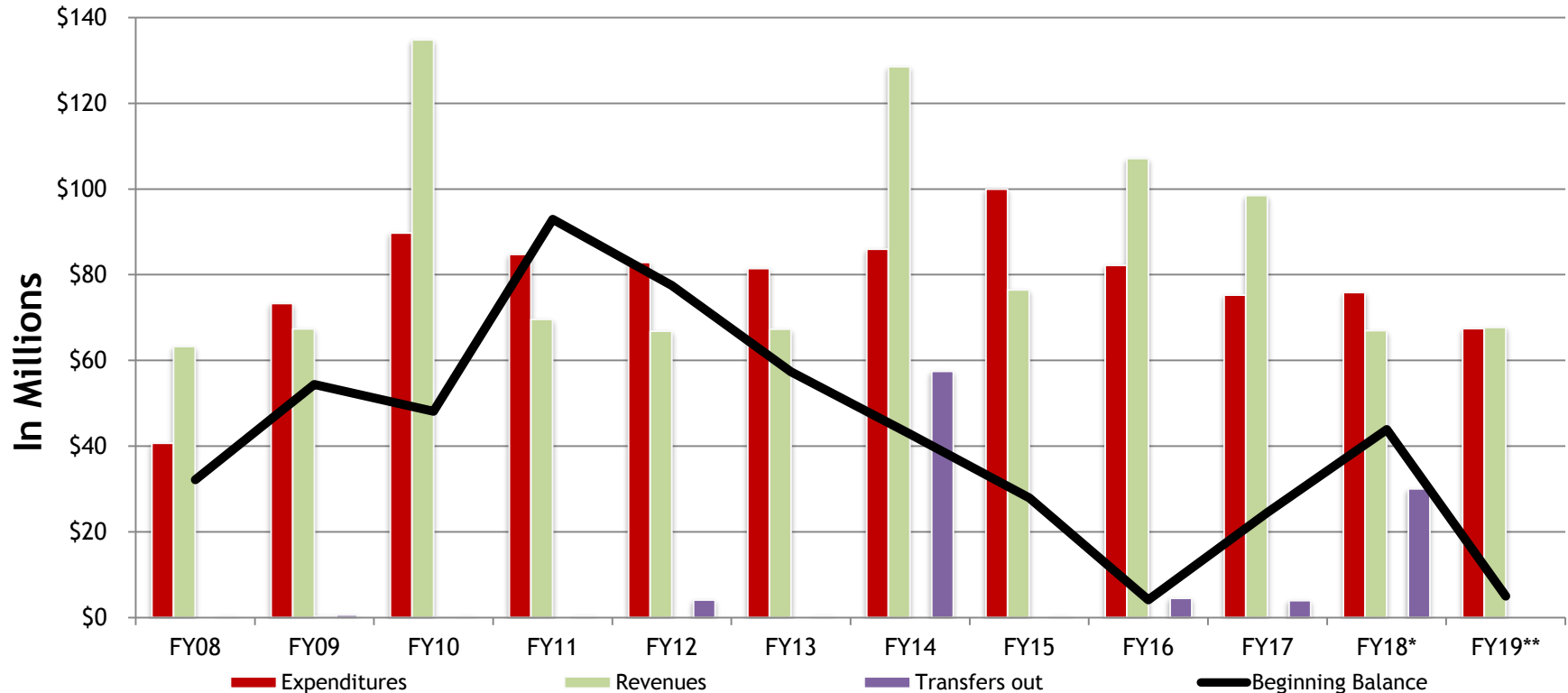
Means of Finance Substitution

Increase F&SGR and decrease SGF due to projected increase in collections for FY19.

SIGNIFICANT FUNDING CHANGES

AMOUNT	MOF	DESCRIPTION
(\$3,222,832)	SGF	<ul style="list-style-type: none"> • (\$2,283,617) – Reduction to help address the FY19 projected budget shortfall. This reduction will come from the department in the form of reductions in part time and temporary personnel, reductions in the State Reciprocal Program, and audit consulting services and legal representation. • (\$939,215) – Part of a Means of Financing swap due to increasing Fees & Self-generated Revenue.
\$295,277	FSGR	<ul style="list-style-type: none"> • (\$1,770,282) – Reduces twenty-two (22) positions from the department along with associated funding. These positions are being eliminated due to their vacant status in the department for the past 12 months. • \$1,728,802 – Increases funding due to the annualization and implementation of the Market Rate Compensation Plan, and provides funding for market rate adjustments in FY 19. • (\$1,217,253) – Reduces funding for contracted technology services in FY 18 that will no longer be needed in FY 19. • \$958,966 – Net increase in funding largely for increased rates in billing owed to various state agencies. • \$939,215 – Increase will offset a reduction in State General Fund of the same amount due to a projected increase in revenue collections for FY 19. • (\$616,848) – Reduction in funding for the Consumer Use Tax due to Act 22 of the 2016 1st Extraordinary Session, removing the additional appropriation for the distribution of these funds to local parishes, and instead paying this distribution directly from the tax.
\$6,417	SD	Increases funding from the Tobacco Regulation Enforcement Fund to aid in the purchase of new equipment for ATC enforcement agents.

HISTORICAL SELF-GENERATED REVENUES



*Using revenues forecasted by the Revenue Estimating Conference for FY18 and Existing Operating Budget as of 12/1/17

** Using revenues forecasted by the Revenue Estimating Conference for FY19 and FY19 Executive Budget Recommendation

EXPENDITURE CHANGE OVERVIEW

Expenditure	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$34,750,437	\$38,243,260	\$38,012,128	(\$231,132)	(0.6%)
Other Compensation	\$1,567,797	\$1,671,536	\$307,845	(\$1,363,691)	(81.6%)
Related Benefits	\$21,844,755	\$25,197,149	\$24,881,723	(\$315,426)	(1.3%)
Travel	\$575,232	\$802,094	\$867,094	\$65,000	8.1%
Operating Services	\$5,994,458	\$6,582,922	\$6,102,567	(\$480,355)	(7.3%)
Supplies	\$180,052	\$378,052	\$378,052	\$0	0.0%
Professional Services	\$827,878	\$1,791,802	\$1,450,458	(\$341,344)	(19.1%)
Other Charges	\$22,270,777	\$26,899,932	\$26,449,747	(\$450,185)	(1.7%)
Acq/Major Repairs	\$42,626	\$261,816	\$457,811	\$195,995	74.9%
Total Expenditures	\$88,054,012	\$101,828,563	\$98,907,425	(\$2,921,138)	(2.9%)
Authorized Positions	713	712	690	(22)	(3.1%)

SIGNIFICANT EXPENDITURE CHANGES

Other Compensation (\$1,363,691)

- Reduction of part time wage positions that are utilized on an as needed basis to supplement the department's full time staff.

Salaries & Related Benefits (\$546,558)

- Reduction largely due to the net of the reduction of 22 vacant positions, market rate compensation plan increases, base adjustments to fully fund salaries, and a reduction to account for projected attrition.

Operating Services (\$480,355)

- Reduction of the State Reciprocal program, whose duties were absorbed into an existing contract.

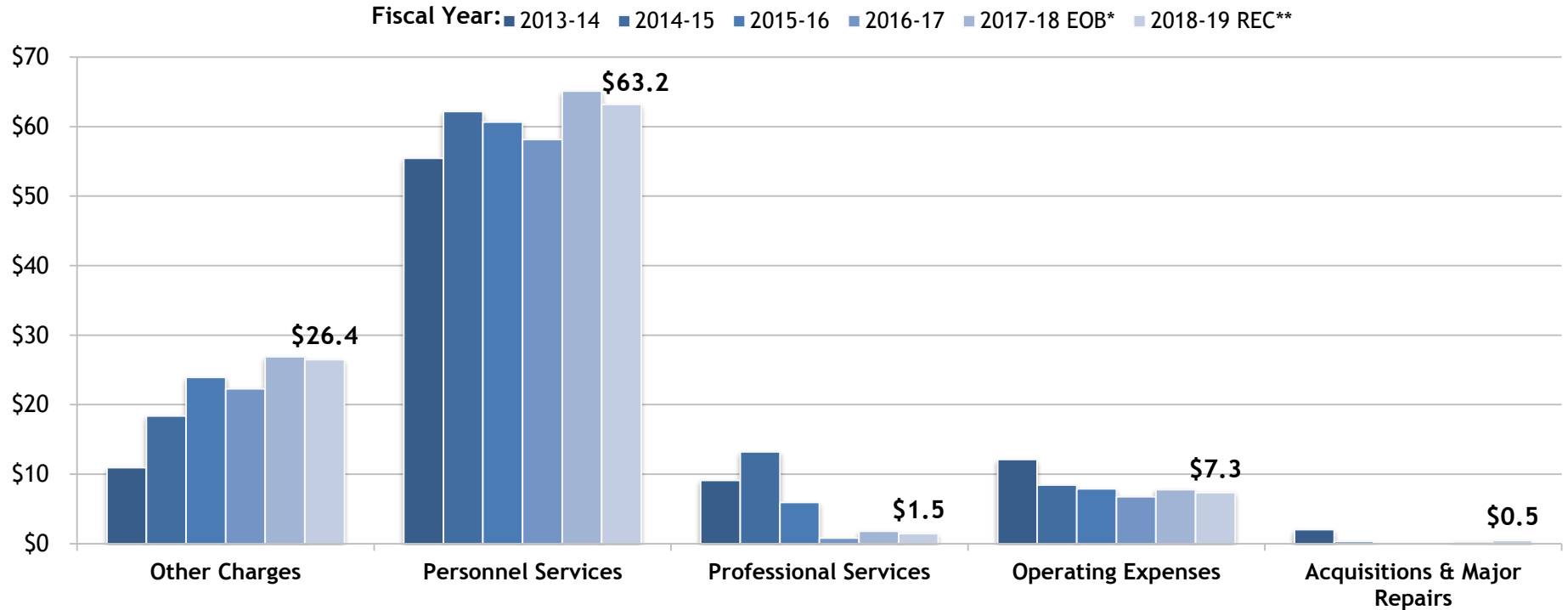
Professional Services (\$341,344)

- Reduction of audit consulting and legal representation services.

Acquisitions & Major Repairs \$195,995

- Increase largely due to the acquisition of new vehicles and equipment for the ATC Program.

EXPENDITURE HISTORY (IN MILLIONS)



* Existing Operating Budget as of 12/1/17
 ** FY 19 Executive Budget Recommendation

Source: Executive Budget Supporting Documents

OTHER CHARGES

AMOUNT	DESCRIPTION
\$16,668,605	IT consolidation with the Office of Technology Services (OTS)
\$3,414,088	Total rent cost for office space in state owned buildings and for office space in Benson Tower
\$1,904,935	Office of Technology Services (OTS) Fees
\$716,383	Other charges positions to handle call center operations
\$627,535	Legislative Auditor Fees
\$656,791	Office of Risk Management (ORM) Premiums
\$432,859	Payment to the State Treasurer for central banking services fees
\$365,766	Payments to the Division of Administration (DOA) for state mail, state printing, state register fees, supplies, and maintenance of buildings and grounds of office space.
\$293,000	Travel in state/investigator expenses
\$250,000	Louisiana Board of Tax Appeals, per Act 198 of the 2014 Regular Session
\$1,119,785	Various Other Charges Expenditures
\$26,449,747	TOTAL OTHER CHARGES

Source: Executive Budget Supporting Documents

DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET

\$98.9 Million

**\$285,000 IAT
Double Count**

**\$98.6
Million
Remaining**

**Self Generated
Revenue
\$67.4 Million**

**Statutory
Dedications
\$550,000**

**State General Fund
\$30.7 Million**

**Non Discretionary
\$0**

**Discretionary
\$30.7 Million
Tax Collection**

PERSONNEL INFORMATION

Personnel/Budget Ratio

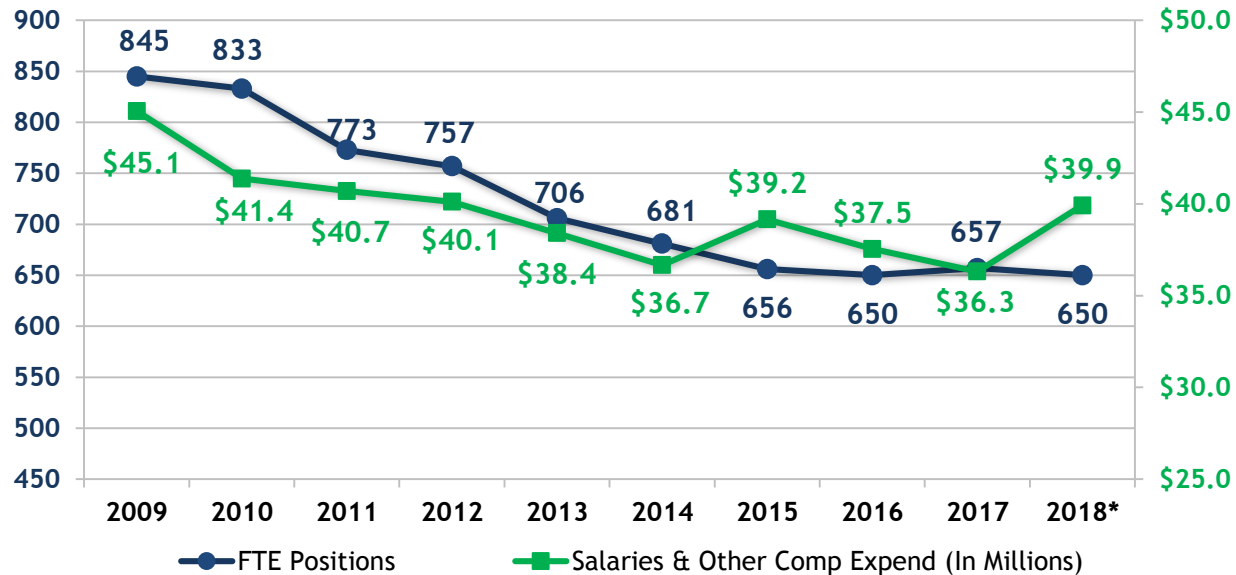
\$38.3 M	Salaries and Other Comp.
+ \$24.9 M	Related Benefits
<hr/>	
= \$63.2 M	Total Personnel Services

87.2% of budget expenditures
(excluding Other Charges)

Authorized Positions

- 690 (679 classified and 11 unclassified)
- The Department of Revenue had 72 vacancies as of 12/25/2017
- 22 vacant positions were removed from the department's budget in the Executive Budget
- 15 Other Charges Positions

10 Year FTE Positions/Salaries Expended



*Existing Operating Budget as of 12/1/17
Source: Data from the Dept. of Civil Service and the Executive Budget Supporting Documents

OFFICE OF DEBT RECOVERY

- Established in Act 399 of the 2013 Regular Session, for the purpose of collecting delinquent debts, accounts, or claims due on behalf of all other state agencies.
- A total of 106 state and local agencies have signed a Letter of Participation.
 - 59 of these Office of State Uniform Payroll (OSUP) agencies.
 - 26 state and local agencies have placed debt with ODR.

Entity Type with Debt at ODR	Number of Debt Accounts	Total Dollar Amount of Debt
State Agencies	892,758	\$314,727,799
Higher Education	1,793	\$2,163,754
Municipalities	10,634	\$4,664,343
Office of Debt Recovery Total	905,185	\$321,555,896

Source: Department of Revenue

OFFICE OF DEBT RECOVERY

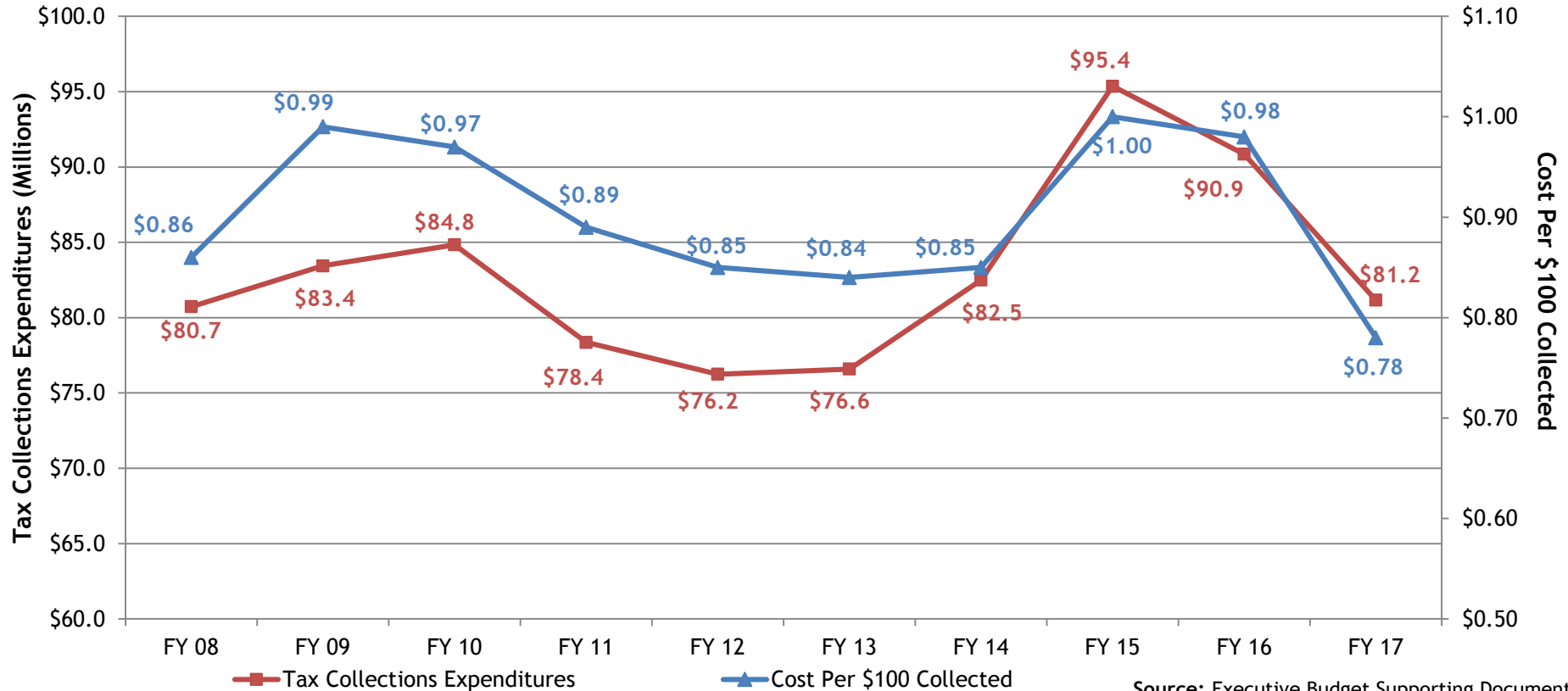
- Once a debt is turned over to ODR, the debt is then charged a 25% delinquency fee.
- The program collects money by retaining the delinquency portion of the final debt amount of a given account, and reverts the original debt back to the agency.
- Utilizes various tools to collect on behalf of these entities.

Fiscal Year	Withholding From Income Tax	Other Debt Collection Methods	Total Debt Collected
FY 2015	\$82,109	\$14,544	\$96,653
FY 2016	\$13,442,376	\$37,342,063	\$50,784,439
FY 2017	\$15,445,238	\$25,239,443	\$40,684,681
FY 2018*	\$3,063,087	\$8,207,236	\$11,270,323
Total Collected Since Inception	\$32,032,810	\$70,803,286	\$102,836,096

* Year to date collections as of 12/31/2017

Source: Department of Revenue

HISTORICAL COST PER \$100 COLLECTED



Source: Executive Budget Supporting Documents

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