

Representative Jim Fannin
Chairman



Representative Bryan Adams
Vice Chairman

FY 15-16 Executive Budget Review
DEPARTMENT OF REVENUE

House Committee on Appropriations
by the House Fiscal Division
March 26, 2015



Agenda

Budget Overview

- Department Structure 3
- Department Functions 4
- Means of Finance Comparison 5
- 10-Year Budget History 6
- Major Sources of Revenue 7
- Expenditure Breakdown 8
- Expenditure History 9
- Significant Adjustments 11
- Discretionary/Non-Discretionary Funding 13
- Salaries and Positions 14
- 2013-14 Amnesty Collections 20
- Department Contacts 27



Department Structure

Office of Revenue

- Tax Collection
- Alcohol and Tobacco Control
 - Administrative and Certification Division
 - Enforcement Division
- Office of Charitable Gaming
 - Administration Section
 - Licensing Section
 - Audit Section



Department Functions

- **Tax Collection**

- Collection of taxes owed to the state, processing of all tax returns, and audit review.
- Education of internal and external customers and stakeholders on the tax laws and policies of the state of Louisiana.

- **Alcohol and Tobacco Control**

- Licensing alcoholic beverage licensees and tobacco licensees.
- Enforcing Title 26, the Beer and Liquor Law, and the Louisiana Administrative Code.

- **Office of Charitable Gaming**

- Administering and enforcing the laws and regulations associated with the activities of charitable gaming.
- Review of applications requesting a license to conduct charitable gaming activities and the issuance of the license.
- On-site inspection of gaming activities, training of organizations, and review of required books and records maintained by organizations.
- Enforcement of gaming laws and regulations.



Means of Finance

Means of Finance	FY 13-14 Actual Revenues	FY 14-15 Existing Operating Budget (12/1/14)	FY 15-16 Executive Budget Recommended	Change from FY 14-15 to FY 15-16	Percent Change from FY 14-15 to FY 15-16
State General Fund	\$0	\$1,375,682	\$0	(\$1,375,682)	(100.0%)
Interagency Transfers	\$183,788	\$750,000	\$749,801	(\$199)	(0.0%)
Fees and Self-Gen. Rev.	\$85,942,107	\$111,337,974	\$94,305,887	(\$17,032,087)	(15.3%)
Statutory Dedications	\$3,190,585	\$702,807	\$549,459	(\$153,348)	(21.8%)
Federal Funds	\$309,393	\$328,792	\$0	(\$328,792)	(100.0%)
TOTAL	\$89,625,873	\$114,495,255	\$95,605,147	(\$18,890,108)	(16.5%)
Authorized Positions	738	748	727	(21)	(2.8%)

Significant Adjustments:

State General Fund

- Non recurs FY 14-15 judgments against agency.

(\$1.4M)



Fees and Self-Gen. Revenue

- Decrease the amount of authority to align budget with projected expenditures.
- REC's forecast adopted at \$112.24 million.
- Non-recurring carryforwards.

(\$17M)



Statutory Dedications

- Reduction of Tobacco Regulation Enforcement Fund for the Alcohol and Tobacco Control Program to better align with actuals

(\$153K)



Federal

- Eliminates federal funding from the U.S. Food and Drug Administration for compliance checks.

(\$329K)



Authorized Positions

- 21 positions were transferred to Office of State Human Capital Management.
- Eliminated 8 vacancies.

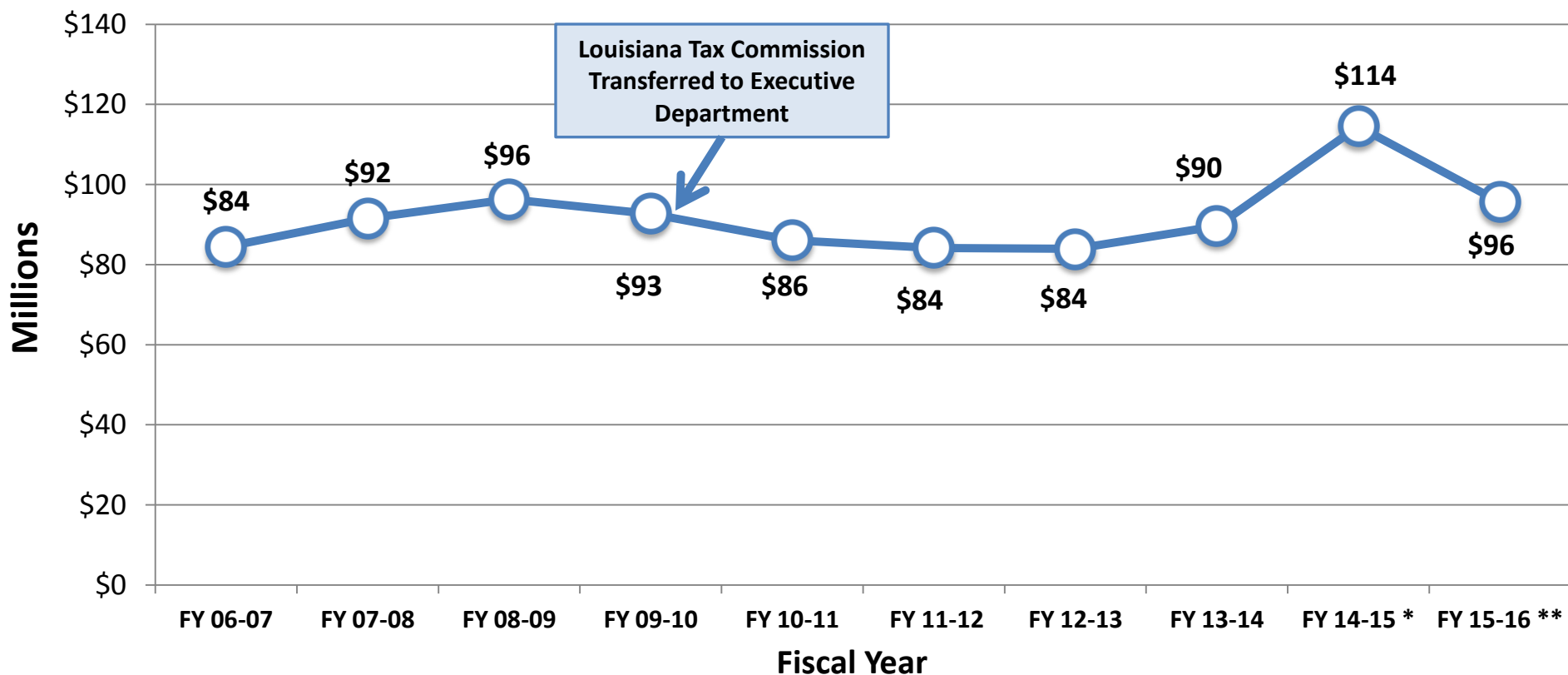
(21) T.O.





10-Year Budget History

DEPARTMENT OF REVENUE (Total Funding)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/14

**Governor's Executive Budget Recommendation



Major Sources of Revenue FY 15-16

Self-Generated Revenues - \$94.3 Million

- Late payment/delinquent fees and negligence fees
- Various licenses, permits, and fines

Interagency Transfers - \$749,801

- Office of the Attorney General
 - ⇒ Tobacco enforcement to comply with Master Settlement Agreement
- Department of Health and Hospitals
 - ⇒ Enforcement of the Prevention of Youth Access to Tobacco
- Department of Public Safety
 - ⇒ Enforcement of state and federal laws prohibiting sale of alcoholic beverages to underage consumers

Statutory Dedications - \$549,459

- Tobacco Regulation Enforcement Fund



Expenditure Breakdown

Expenditures	FY 13-14 Actual Expenditures	FY 14-15 (12/1/14) Existing Operating Budget	FY 15-16 Executive Budget Recommended	Change from FY 14-15 to FY 15-16	Percent Change from FY 14-15 to FY 15-16
Salaries	\$35,159,340	\$39,973,594	\$35,104,954	(\$4,868,640)	(12.2%)
Other Compensation	\$1,506,598	\$2,534,742	\$1,633,368	(\$901,374)	(35.6%)
Related Benefits	\$18,780,192	\$24,018,738	\$22,689,890	(\$1,328,848)	(5.5%)
Travel	\$866,435	\$1,096,593	\$522,095	(\$574,498)	(52.4%)
Operating Services	\$10,811,251	\$4,583,664	\$3,345,853	(\$1,237,811)	(27.0%)
Supplies	\$448,765	\$359,850	\$342,311	(\$17,539)	(4.9%)
Professional Services	\$9,104,831	\$11,825,303	\$3,100,000	(\$8,725,303)	(73.8%)
Other Charges	\$10,928,816	\$29,214,932	\$28,724,426	(\$490,506)	(1.7%)
Acq/Major Repairs	\$2,019,645	\$887,839	\$142,250	(\$745,589)	(84.0%)
Unallotted	\$0	\$0	\$0	\$0	0.0%
TOTAL EXP	\$89,625,873	\$114,495,255	\$95,605,147	(\$18,890,108)	(16.5%)

Salaries and Benefits

- Decrease associated with hiring freeze (annualization of 14-15 midyear cut), attrition adjustments, retirement rate decreases, and reduction based on historical expenditures.

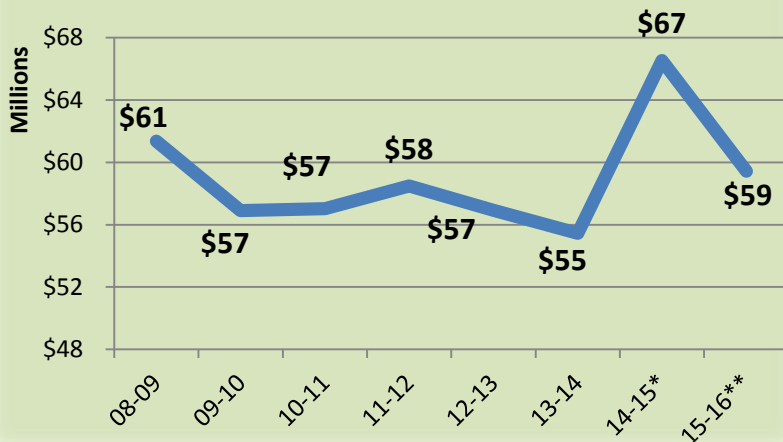
Professional Services

- Decrease associated with Tax Collection Program FY 14-15 carryforwards for system upgrades, including Office of Debt Recovery operation system.

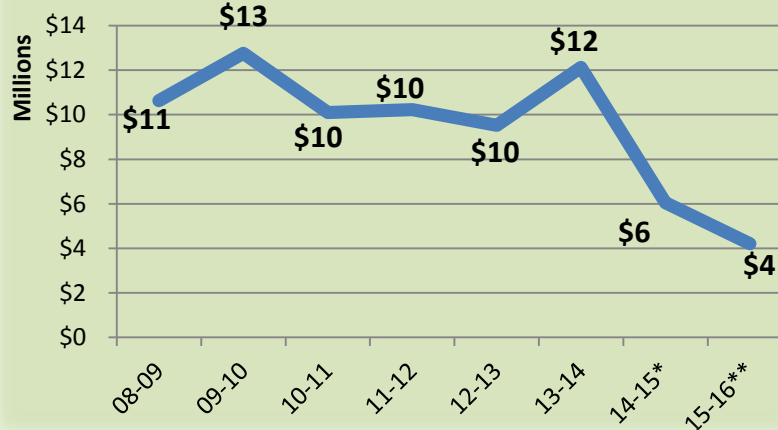


8-Year Expenditure History (in millions)

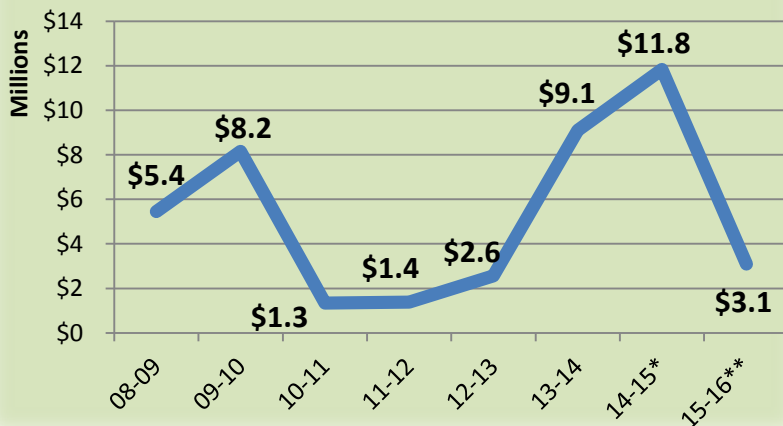
Personal Services



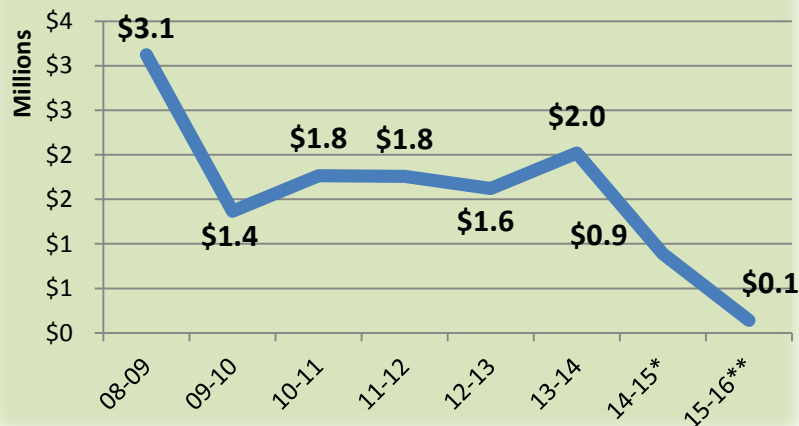
Operating Expenses



Professional Services



Acquisitions & Major Repairs



Source: Executive Budget Supporting Documents

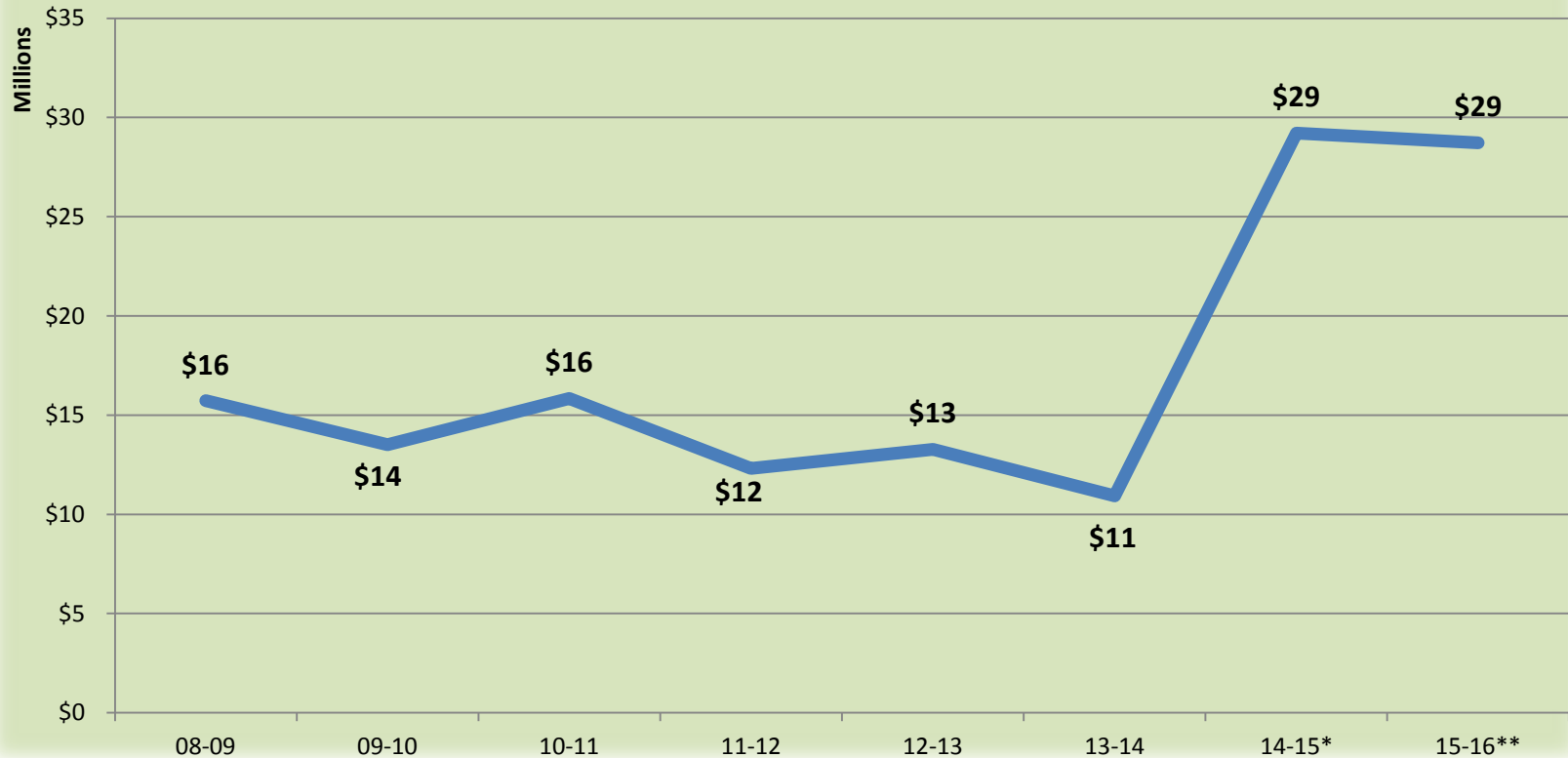
*Existing Operating Budget as of 12/1/14

**Governor's Executive Budget Recommendation



8-Year Expenditure History (in millions)

Other Charges



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/14

**Governor's Executive Budget Recommendation



Significant Adjustments

(\$8M)
Various
MOF



Nonrecurring carryforward expenditures for professional services including contracts related to IT professional services, legal services, call center services, communication services, process review services, purchase orders for computer equipment, and other acquisitions (-\$6 million FSGR and \$124,921 SD).

In addition, eliminates the state general fund for judgments appropriated to department (\$1.4 million).

(\$7.8M)
Various
MOF



Reduction of excess budget authority to properly align expenditures to historical actuals (-\$7.5 million FSGR).

In addition, includes reducing dues and subscriptions to professional organizations, travel, supplies, professional services, and other charges (-\$57,794 FSGR, -\$199 IAT, and -\$28,427 SD).

(\$2.5M)
FSGR



Annualization of FY 14-15 mid-year budget reduction. Mid-year budget reduction plan included savings from hiring freeze and freezes on travel and professional services.

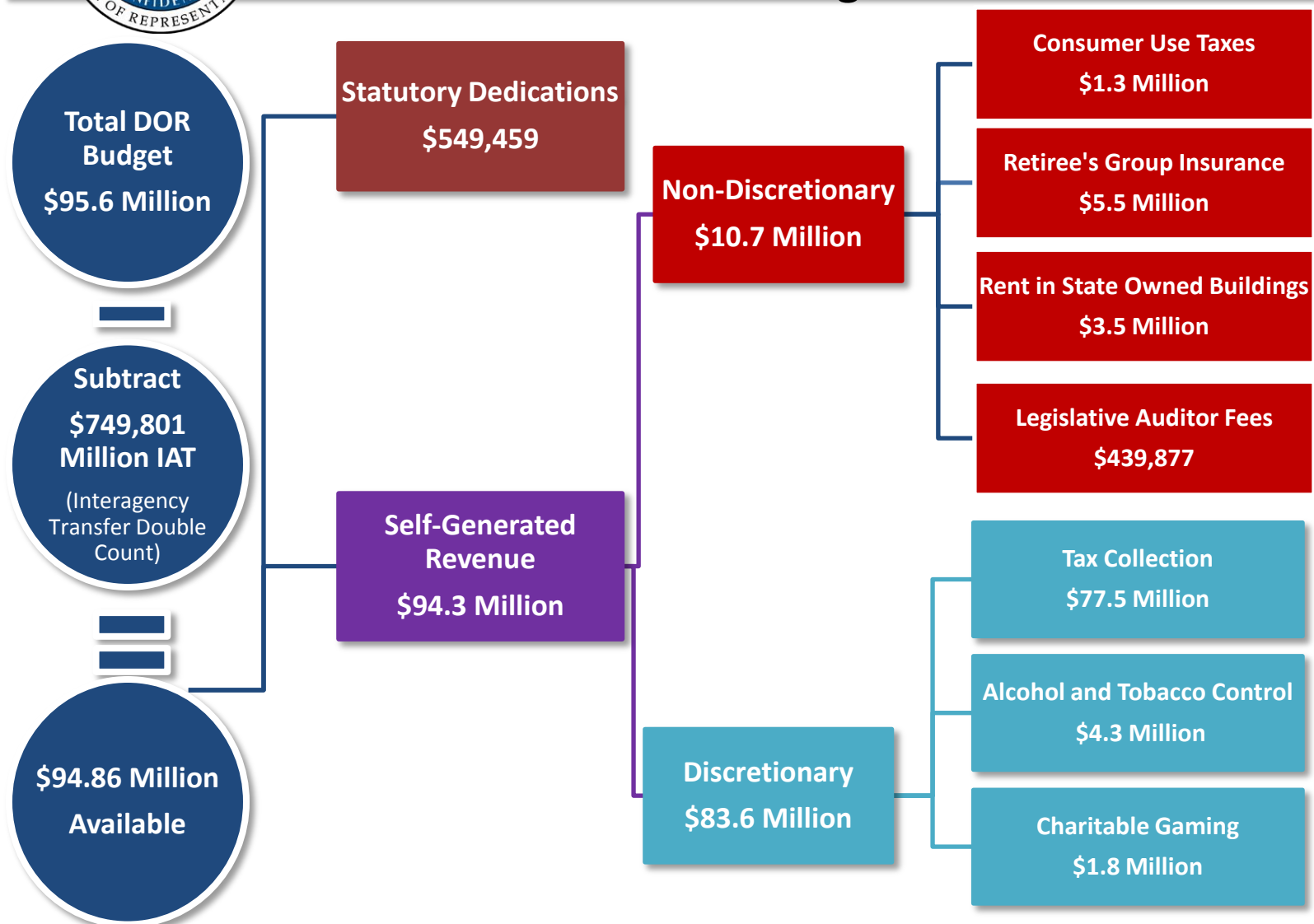


Department of Revenue by Program

	Actual 2013-2014	Existing 2014-2015	Recommended 2015-2016	\$ Change FY 16 over FY15	% Change FY 16 over FY15
<i>Tax Collection</i>					
State General Fund (Direct)	\$0	\$1,375,682	\$0	(\$1,375,682)	(100.0%)
Total Interagency Transfers	\$0	\$250,000	\$250,000	\$0	0.0%
Fees and Self-Generated Revenues	\$79,924,863	\$103,497,542	\$87,970,809	(\$15,526,733)	(15.0%)
Statutory Dedications	\$2,567,501	\$0	\$0	\$0	-
Federal Funds	\$0	\$0	\$0	\$0	-
Total Means of Financing	\$82,492,364	\$105,123,224	\$88,220,809	(\$16,902,415)	(16.1%)
<i>Alcohol and Tobacco Control</i>					
State General Fund (Direct)	\$0	\$0	\$0	\$0	-
Total Interagency Transfers	\$183,788	\$500,000	\$499,801	(\$199)	(0.0%)
Fees and Self-Generated Revenues	\$4,306,747	\$5,823,956	\$4,471,053	(\$1,352,903)	(23.2%)
Statutory Dedications	\$623,084	\$702,807	\$549,459	(\$153,348)	(21.8%)
Federal Funds	\$309,393	\$328,792	\$0	(\$328,792)	(100.0%)
Total Means of Financing	\$5,423,012	\$7,355,555	\$5,520,313	(\$1,835,242)	(25.0%)
<i>Office of Charitable Gaming</i>					
State General Fund (Direct)	\$0	\$0	\$0	\$0	-
Total Interagency Transfers	\$0	\$0	\$0	\$0	-
Fees and Self-Generated Revenues	\$1,710,497	\$2,016,476	\$1,864,025	(\$152,451)	(7.6%)
Statutory Dedications	\$0	\$0	\$0	\$0	-
Federal Funds	\$0	\$0	\$0	\$0	-
Total Means of Financing	\$1,710,497	\$2,016,476	\$1,864,025	(\$152,451)	(7.6%)



Discretionary/Non-Discretionary Funding in FY 15-16 Executive Budget





Salaries and Positions

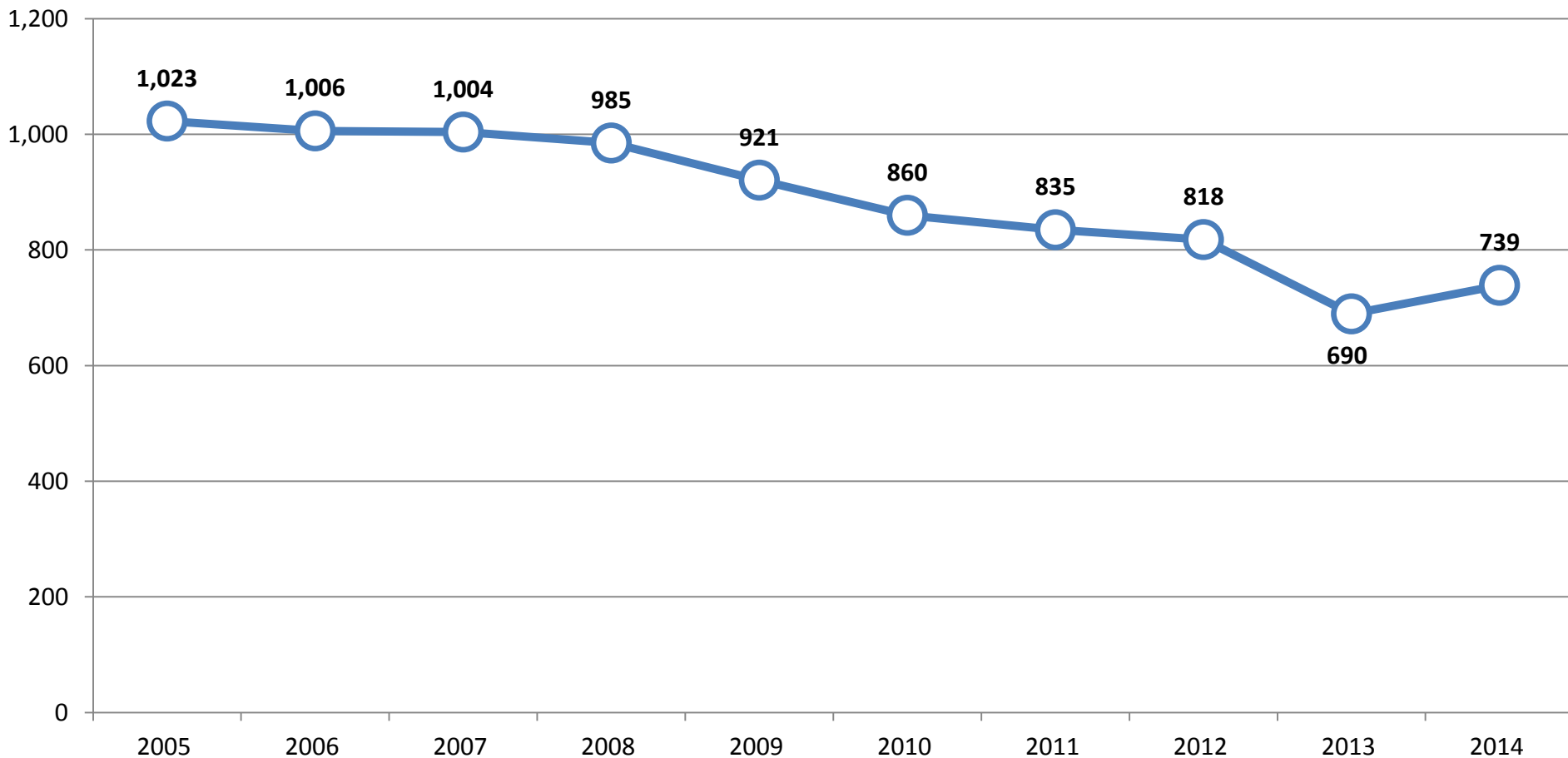
FY 15-16 SALARIES/POSITIONS

- \$36.7 million for Salaries and Other Compensation
- \$22.7 million for Related Benefits
- Total Personnel Services = \$59.4 million; 88.6% of the Department of Revenue total Executive Budget Recommendation (excluding Other Charges)
- 727 Authorized Positions (715 classified and 12 unclassified)
- 6 full-time non-T.O. positions
- 0 Other Charges positions
- As of 1/30/2015, the Department of Revenue had 34 vacancies. The Executive Budget eliminated 8 of these vacancies.



Salaries and Positions

TOTAL FULL-TIME EQUIVALENT (FTE) POSITIONS

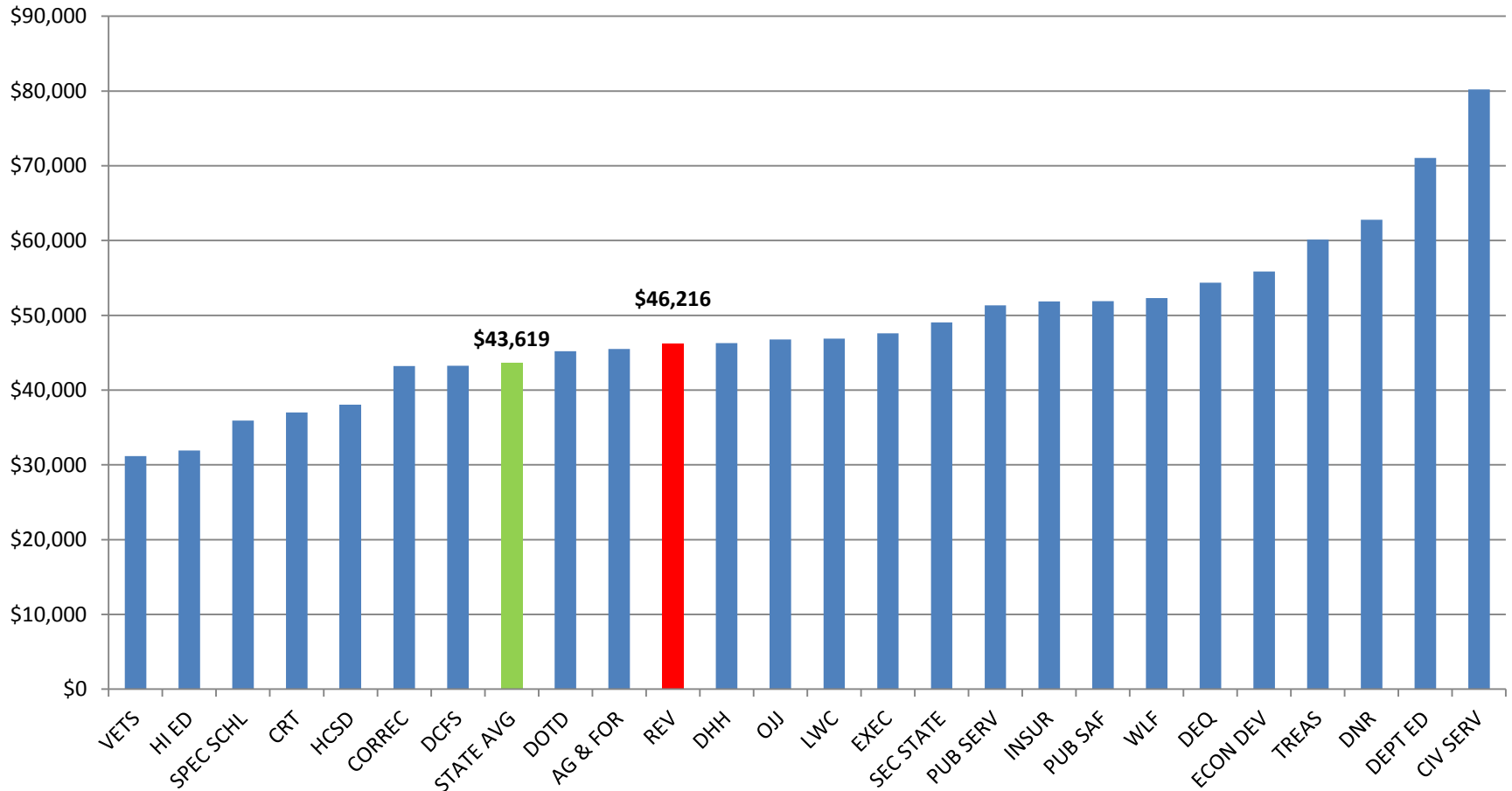


Source: Prepared by House Fiscal Division staff using information from ISIS-HR



Salaries and Positions

FY 14 CLASSIFIED AVERAGE ANNUAL PAY PER FTE

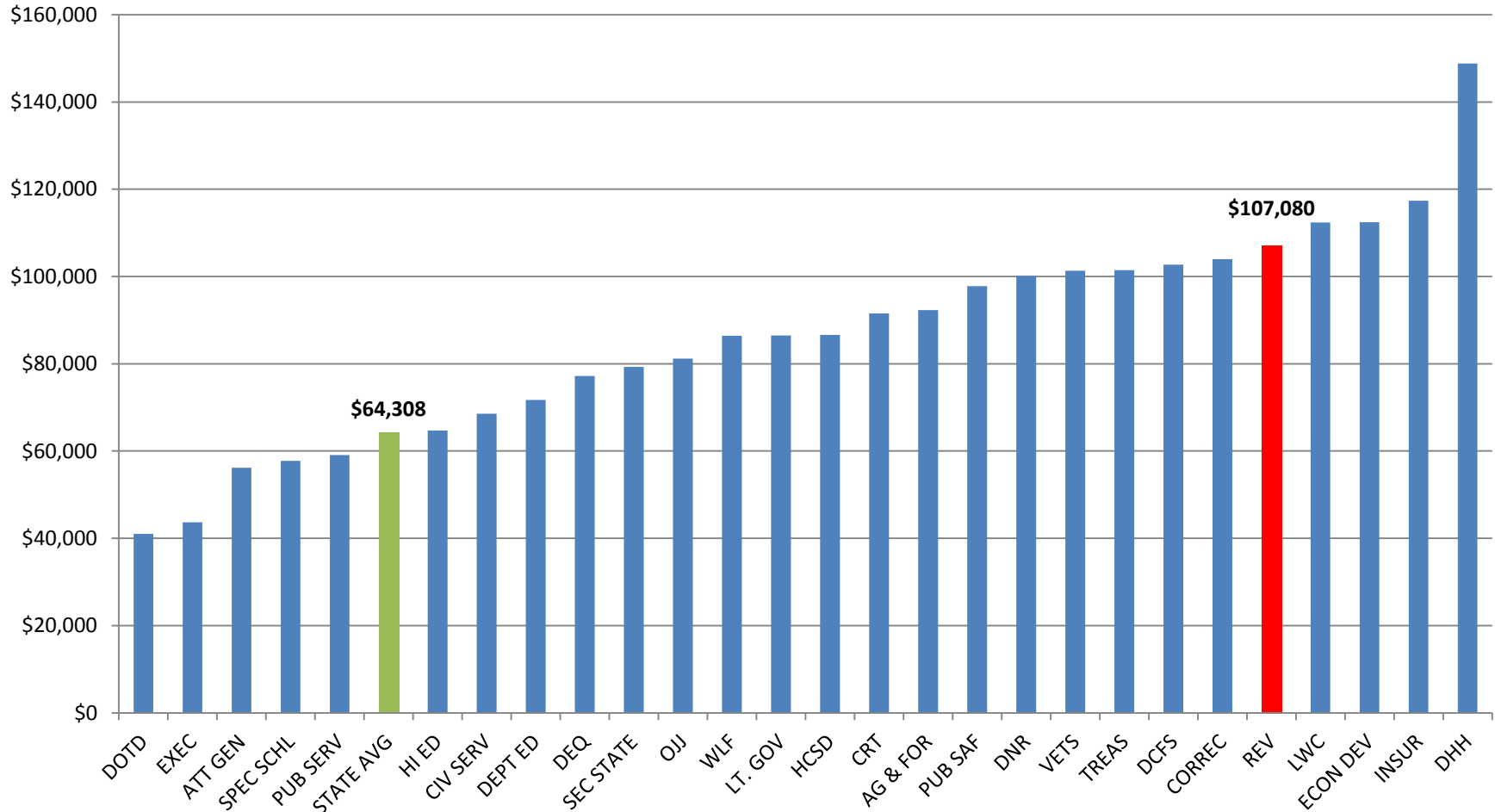


Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



Salaries and Positions

FY 14 UNCLASSIFIED AVERAGE ANNUAL PAY PER FTE



Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service



Proposed Increases to Existing Fees

Fee Name	Description	Fee Rate Increase	Potential Increase - FY 16
Late Payment Penalty	Present law allows LDR to assess a late fee when at least 90% of a tax liability is not paid timely. The proposal would be to amend the law to allow LDR to assess this fee irrespective of what percentage of tax liability is delinquent. The proposal will not increase the amount of the fee; rather, it will broaden the circumstances to which the fee may be assessed.	5% of the unremitted tax; stays the same.	\$5,000,000
Negligence Penalty	In cases of willful negligence, present law allows LDR to assess a penalty equal to the greater of: 5% of the tax liability or \$10. The proposal would be to amend the law to increase the penalty to the greater of: 25% of the tax liability or \$100.	\$90 increase or 15% of tax liability increase to penalty fee; whichever is greater	\$7,000,000
Insufficient funds check or electronic debit penalty	Present law allows LDR to assess an insufficient funds fee of \$20. The proposal is to increase the fee to \$35.00.	\$15 increase to fee	\$250,000
Penalty for dealers who fail to keep required records	Present law requires allows LDR to assess a penalty of up to \$500 to dealers who fail to keep the records required by Title 47 of the Louisiana Revised Statutes. The proposal is to increase the maximum penalty LDR may assess to \$5,000.	\$4,500 increase in penalty fee	\$150,000
State Garnishment	Present law allows LDR to collect a garnishment fee of \$4.00 per garnishment. The proposal is to increase the garnishment fee to \$25.00 per garnishment.	\$21 increase to fee	\$300,000

Source: Louisiana Department of Revenue



New Proposed Fees

Fee Name	Description	Fee Rate	Potential Increase - FY 16
No-Incorrect Account Number	The proposal here is to amend the law to allow the negligence penalty to be applicable to taxpayers who submit incomplete returns, returns with missing or incorrect account information, and returns without a payment voucher.	The greater of 5% of the tax or deficiency due or \$10	\$500,000
Installment Agreement	The proposal is to amend Title 47 to allow LDR to assess a fee to setup an initial installment agreement, as well as a reinstatement fee for any defaulted agreements the taxpayer wishes to reinstate.	Initial installment agreement: \$105, or \$52 if the taxpayer agrees to pay by direct debits Reinstatement of defaulted agreements: \$60	The expected revenue to be realized from a fee on installment agreements is anticipated to cover the costs of the installment agreement process
Offer in Compromise	LDR allows taxpayer to make Offers in Compromise to resolve delinquent tax liabilities.	The proposal is to amend Title 47 to allow LDR to assess a fee of \$186 for each Offer in Compromise application, and to require a nonrefundable initial payment of 20% of the tax liability with each application.	The expected revenue to be realized from a fee on Offers in Compromise is anticipated to be minimal, but sufficient to cover the expenses associated with the Offer in Compromise review process.

Source: Louisiana Department of Revenue



FY 2013-14 Amnesty Collections

Tax	Accounts	Cash As Payment	Tax Credits As Payment	Total Payments
Severance Tax	57	\$4,009,796	\$0	\$4,009,796
Corporate Income & Franchise Taxes	8,167	\$311,914,103	\$68,095,488	\$380,009,591
Individual Income Tax	40,885	\$37,706,909	\$1,820,307	\$39,527,216
General Sales Tax	2,933	\$24,898,158	\$1,072	\$24,899,230
Various Excise Taxes	74	\$64,810	\$0	\$64,810
Non-REC Taxes	20	\$3,415,105	\$0	\$3,415,105
Total Program	52,136	\$382,008,881	\$69,916,867	\$451,925,747

Source: Louisiana Department of Revenue



FY 2014-15 Amnesty Collections

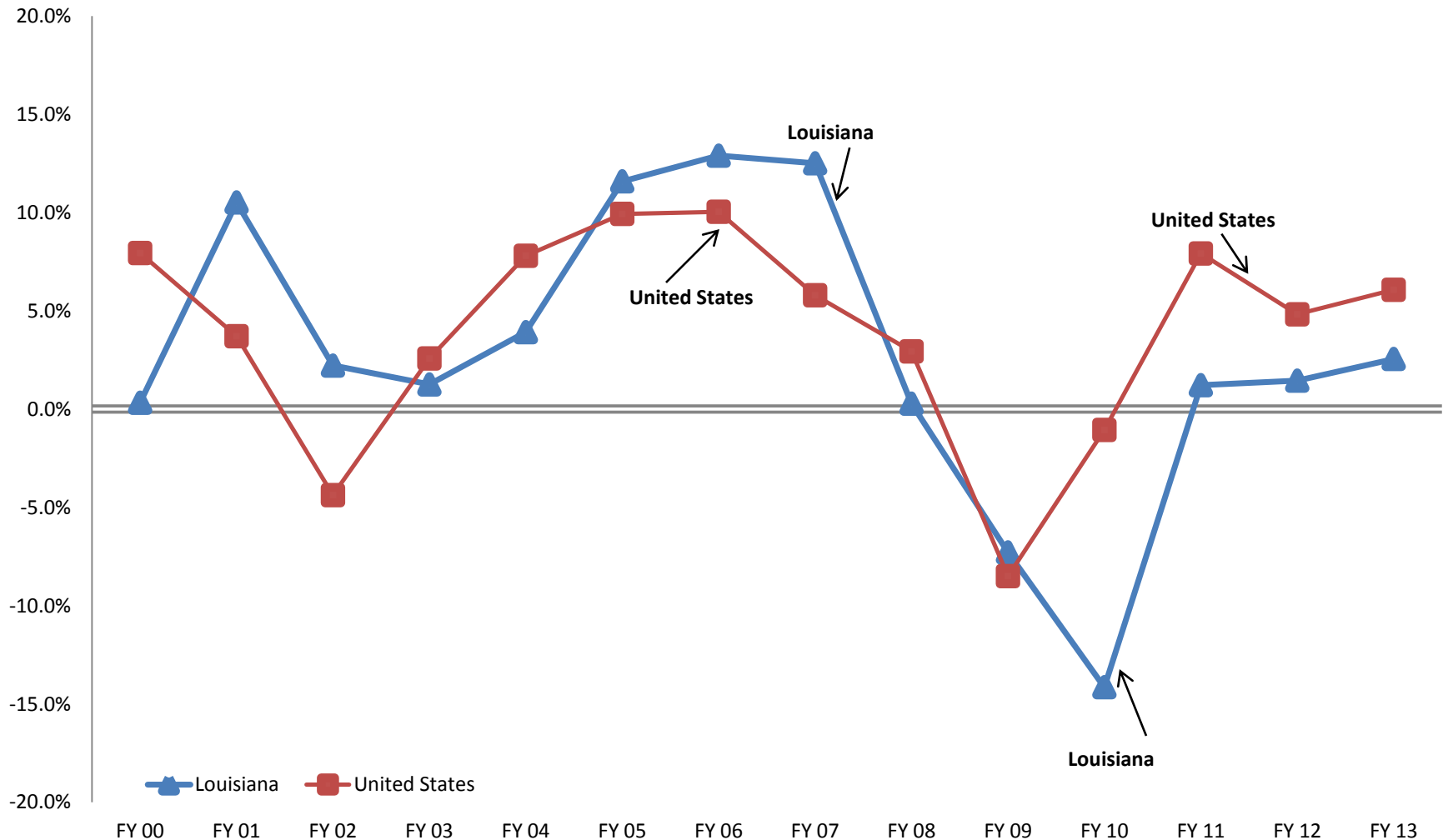
Tax	Accounts	Cash As Payment	Tax Credits As Payment	Total Payments
Severance Tax	51	\$1,250,480	\$0	\$1,250,480
Corporate Income & Franchise Taxes	3,665	\$105,225,721	\$0	\$105,225,721
Individual Income Tax	27,358	\$20,979,194	\$0	\$20,979,194
General Sales Tax	2,116	\$11,048,869	\$0	\$11,048,869
Various Excise Taxes	26	\$53,133	\$0	\$53,133
Non-REC Taxes	63	\$385,591	\$0	\$385,591
Total Program	33,279	\$138,942,987	\$0	\$138,942,987

Source: Louisiana Department of Revenue



Total Tax Collection Comparison

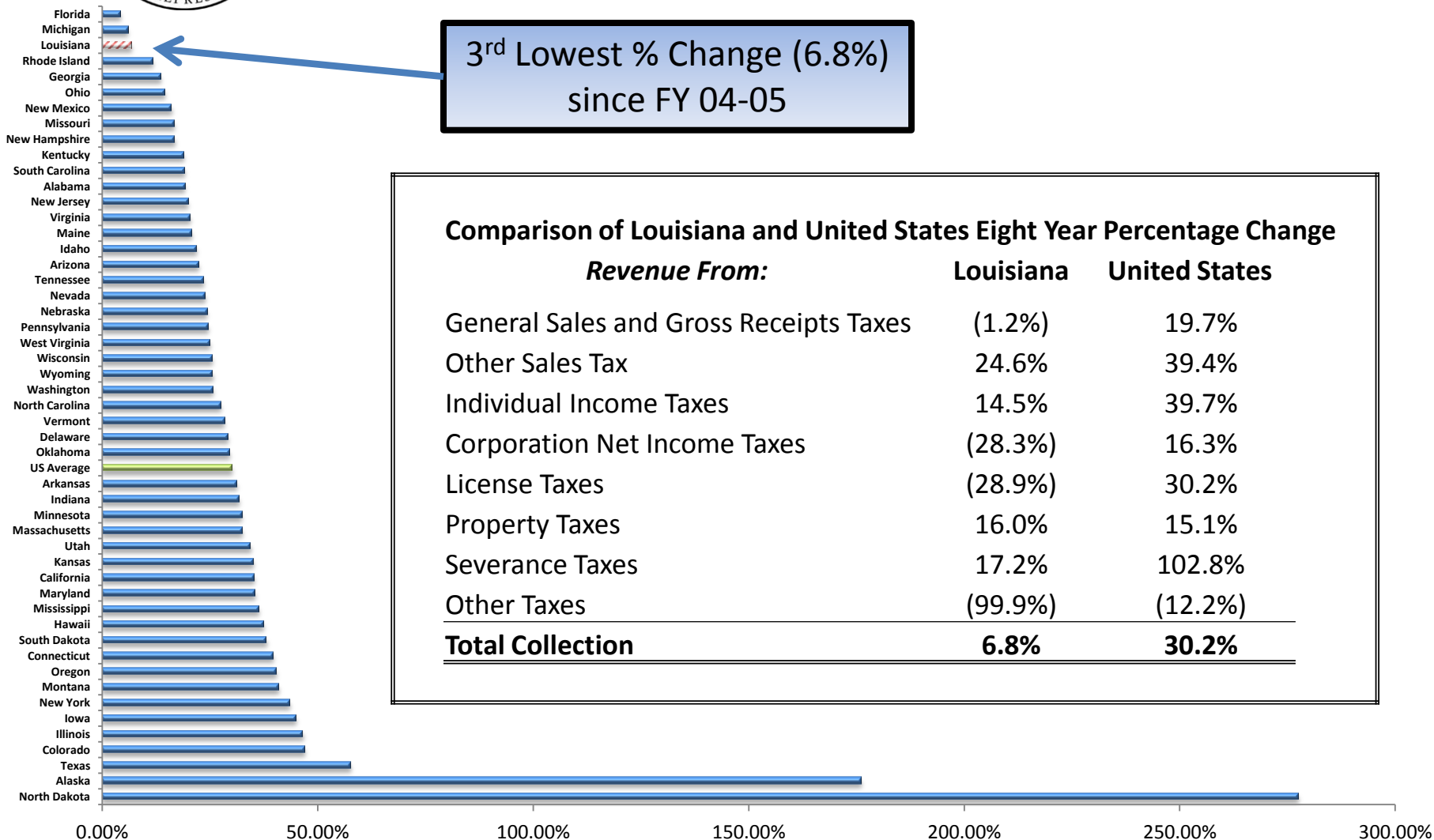
Annual % Change



Source: Prepared by House Fiscal Division using U.S. Census Bureau data.



8-Year Revenue Percentage Change Comparison FY 2004-05 to FY 2012-13



Comparison of Louisiana and United States Eight Year Percentage Change

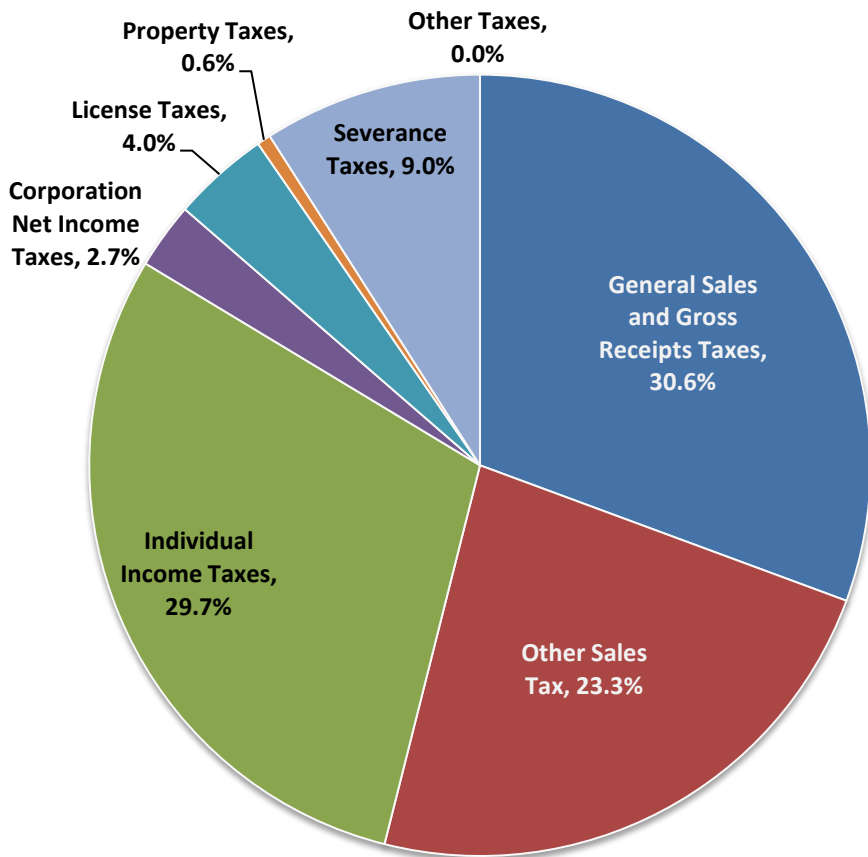
<i>Revenue From:</i>	Louisiana	United States
General Sales and Gross Receipts Taxes	(1.2%)	19.7%
Other Sales Tax	24.6%	39.4%
Individual Income Taxes	14.5%	39.7%
Corporation Net Income Taxes	(28.3%)	16.3%
License Taxes	(28.9%)	30.2%
Property Taxes	16.0%	15.1%
Severance Taxes	17.2%	102.8%
Other Taxes	(99.9%)	(12.2%)
Total Collection	6.8%	30.2%

Source: Prepared by House Fiscal Division using U.S. Census Bureau data.

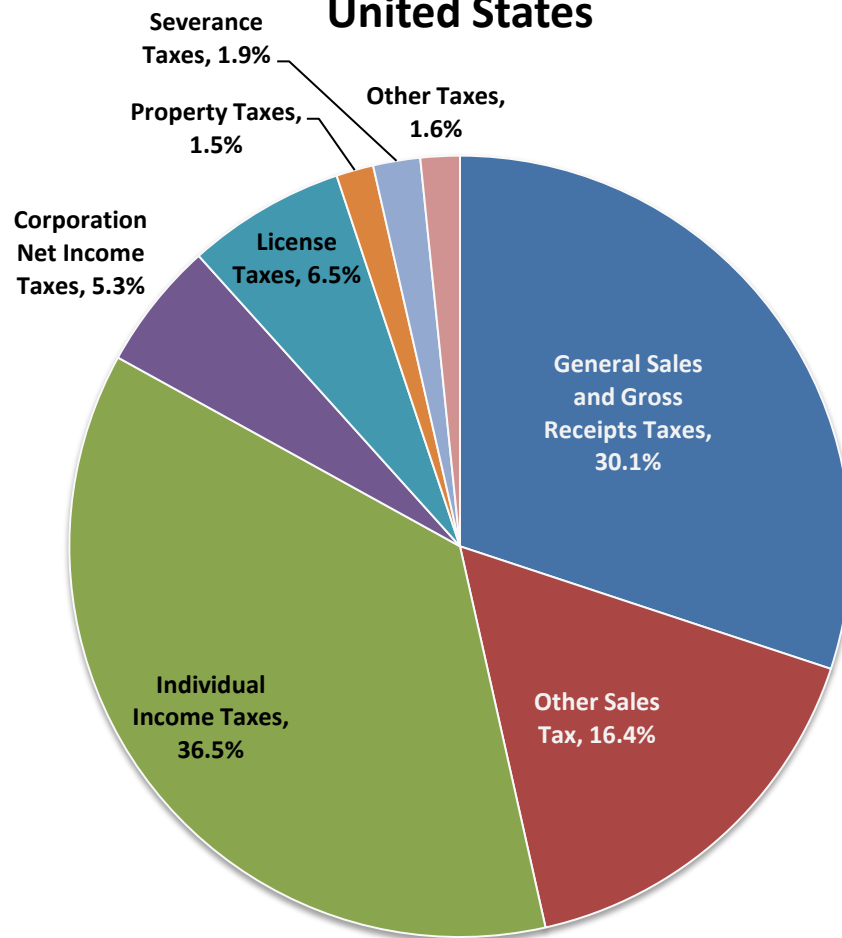


Percentage of Total Tax Collection FY 2012-2013

Louisiana



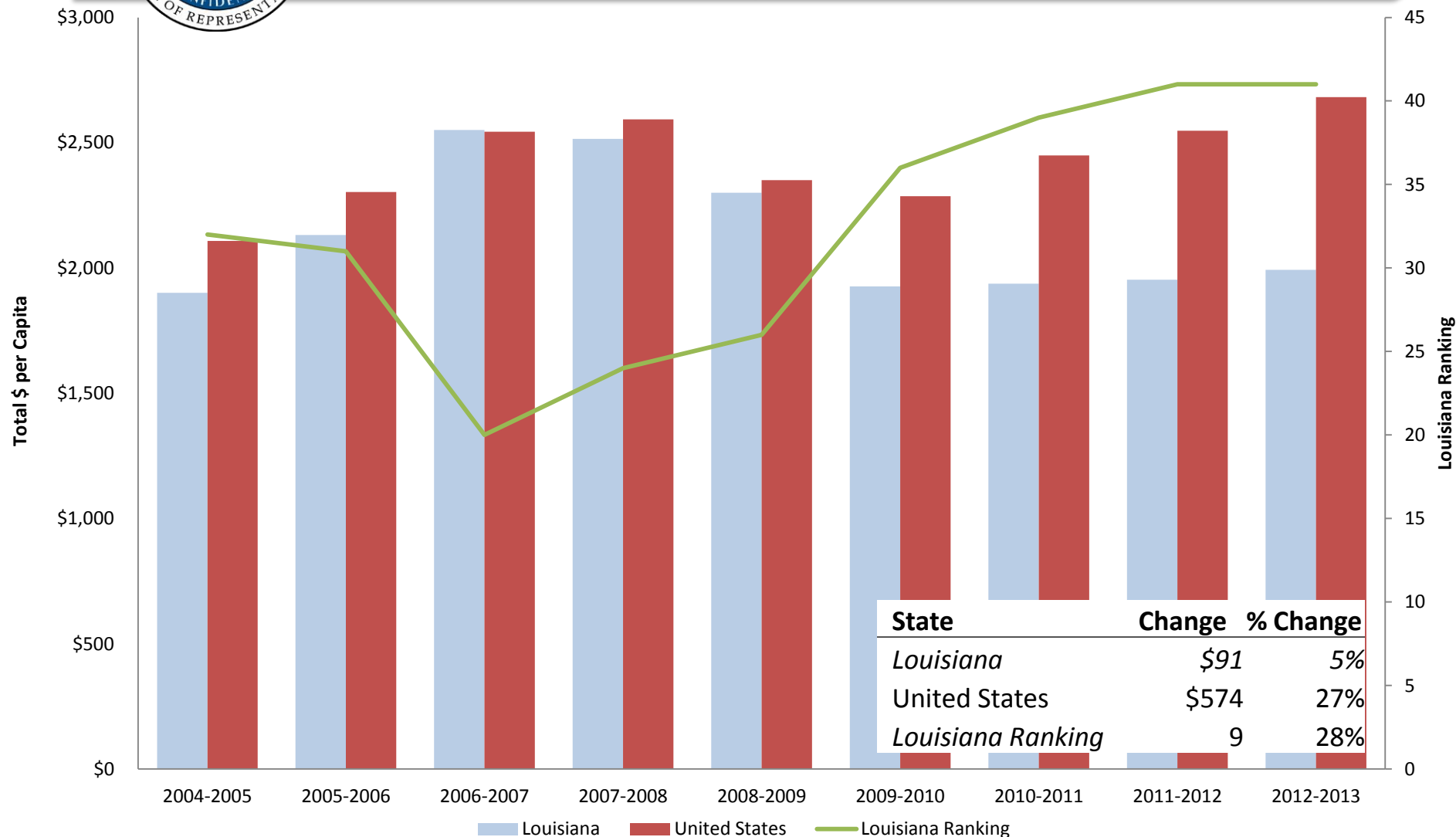
United States



Source: Prepared by House Fiscal Division using U.S. Census Bureau data.



Tax Collections Per Capita



Source: Prepared by House Fiscal Division using U.S. Census Bureau data.



Tax Exemption Budget

State Revenue Loss Only

Tax Type	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015 (projected)	2015-2016 (projected)
Income tax - corporation	\$1,314,871,880	\$1,244,097,763	\$1,304,203,790	\$1,327,692,545	\$1,474,667,062	\$1,491,114,000	\$1,514,575,000
Income tax - individual	\$1,074,086,944	\$1,129,817,215	\$1,199,797,089	\$1,189,709,142	\$1,250,487,583	\$1,273,101,000	\$1,298,157,000
Sales Tax	\$1,168,663,244	\$1,427,814,994	\$1,249,876,191	\$1,509,625,782	\$1,734,402,868	\$1,883,396,000	\$2,056,922,000
Natural Resources - severance	\$425,444,000	\$431,575,500	\$527,153,045	\$462,887,099	\$352,425,040	\$328,195,677	\$323,481,590
Tax incentives & exemptions	\$419,298,314	\$345,194,562	\$382,171,372	\$322,907,917	\$454,079,951	\$456,325,000	\$462,913,000
All Other	\$24,302,007	\$30,746,469	\$28,775,009	\$44,380,417	\$42,181,527	\$42,831,700	\$43,225,700
Petroleum products tax	\$10,889,800	\$10,905,450	\$11,324,850	\$11,892,625	\$10,989,209	\$11,095,000	\$11,095,000
Corporation Franchise Tax	\$1,595,642	\$7,077,824	\$5,116,549	\$19,812,262	\$19,323,703	\$19,710,000	\$20,104,000
Tobacco Tax	\$7,873,365	\$8,458,095	\$7,749,830	\$7,885,000	\$7,338,765	\$7,440,000	\$7,440,000
Liquors - alcoholic beverage taxes	\$1,493,600	\$1,468,900	\$1,510,400	\$1,564,030	\$1,532,750	\$1,551,000	\$1,551,000
Inheritance Tax	\$154,000	\$80,000	\$0	\$0	\$0	\$0	\$0
Gift Tax	\$45,000	\$26,000	\$26,000	\$0	\$0	\$0	\$0
Exemptions - Miscellaneous Taxes	\$2,250,600	\$2,730,200	\$3,047,380	\$3,226,500	\$2,997,100	\$3,035,700	\$3,035,700
Grand Total*	\$4,426,666,389	\$4,609,246,503	\$4,691,976,496	\$4,857,202,902	\$5,308,244,031	\$5,474,963,377	\$5,699,274,290
Annual Growth	\$315,499,551	\$182,580,114	\$82,729,993	\$165,226,405	\$451,041,129	\$166,719,346	\$224,310,914
Cumulative Growth(since FY 09)	\$315,499,551	\$498,079,665	\$580,809,658	\$746,036,064	\$1,197,077,193	\$1,363,796,539	\$1,588,107,452

*Exclusive of Federally Imposed Exemptions or other Prohibitions

Source: Louisiana Department of Revenue Tax Exemption Budget



Department Contacts

Contact Name	Title	Phone
Tim Barfield	Secretary	225-219-2700
Jarrold Coniglio	Deputy Secretary	225-219-2152
Andrew Perilloux	Undersecretary	225-219-2150
Troy Hebert	Commissioner, Alcohol and Tobacco Control	225-925-4041