

State of Louisiana
Department of Revenue

JOHN BEL EDWARDS
Governor



KIMBERLY LEWIS ROBINSON
Secretary

December 7, 2016

**TO: Representative Cameron Henry, Chairman
Committee on Appropriations
Louisiana House of Representatives**

**FROM: Kimberly Lewis Robinson, Secretary
Louisiana Department of Revenue**

**RE: Response to Fiscal Years 2017-2018 Budget Request Hearings Memorandum
Dated September 21, 2016**

The following information is being submitted in response to your questions regarding the implementation and progress of our FY 2017 appropriation and the department's request for FY 2018:

- **During the 2016 sessions, what did the department testify would be the effects of the FY 17 budget on services, staffing, and contracts?**
 - Call Abandonment rate would exceed 6% and wait times would exceed 10 minutes due to the cancellation of our Tier 1 Call Center Contract
 - Call abandonment rate was 11.6% and average wait time was 9.05 minutes due to cuts in FY 16
 - Call abandonment rate was 9.4% and average wait time was 3.58 minutes due to cuts in FY 15
 - Call abandonment rate through October of FY17 was 15.9% and average wait time was 14 minutes. For the same period in FY16 they were 7.1% and 5 minutes respectively. This represents a 112% increase in the abandonment rate and a 225% increase in wait times.
 - Paper Check deposit times would increase
 - For the income processing season, deposit times for paper checks increased 58% from 3.88 to 5.92 days, due to reduced staffing in FY16
 - There is currently a 20% increase in deposit times for the period of 7/1-10/31 as compared to the same period in FY16. Average deposit time is 2.81 days
 - Paper Return processing time would increase

- There is currently a 19% increase in paper return processing times for the period of 7/1-10/31 as compared to the same period in FY 16. Average processing time is 2.8 days
 - Charitable Gaming
 - Decreased inspections and audits
 - For FY 17 we have experienced a 50% reduction in inspections for the period of July 1, 2016 – October 31, 2016. (129 inspections to 64 inspections).
 - For FY17 we have experienced a 69% reduction in audits for the period of July 1, 2016-October 31, 2016. (33 audits to 10 audits)
- **Compared to FY 16, what reductions, including services, staffing, and contracts, have been made in the department in FY 17?**
 - Did not enter into the Tier 1 Call Center Contract
 - Operate with 67 fewer employees
 - Reduced litigation and audit contract spending
- **What reductions would the department make if there are mid-year reductions to the FY 17 budget?**
 - The agency would not fill vacant positions through the remainder of the fiscal year
 - The agency would eliminate the Transfer Pricing Audit Program through the Multistate Tax Commission
 - The agency will reduce supply expenditures to reflect the FY16 spending level.
 - The agency will not proceed with a new Tier 1 Call Center contract
 - Eliminate other contracts such as:
 - Informatix - Responsible for Financial Institution Data Match (FIDM)
 - Louisiana District Attorney's Association (LDAA) - Responsible for recovering losses due to NSF checks
 - Eliminate programs and reduce service levels
 - Maintain vacancies throughout the department
- **Provide a brief overview of the FY 18 budget request compared to FY 17 by budget unit. What increases are requested in FY 18 and why are the increases necessary, including any new or expanded programs or services to additional populations? Are there any reductions in the FY 18 budget requests, including those as a result of annualizing reductions made in FY 17?**
 - Tax Collection:
 - Travel for audit and collections divisions was increased \$250K
 - Increase of \$278K for office space in the Houston and Shreveport areas

- \$1.5M increase for Tier One Call Center. This service provides additional coverage during the peak tax return filling season and high volume daily spikes in calls received
 - \$150K for RevQ Integration into TaxExpress. The Office of Debt Recovery would like to integrate the process of scanning and payment posting into the current TaxExpress system. Currently the process is done manually and is very time consuming and allows for errors.
 - \$226K increase for the Consumer Use Tax Distribution to the parishes. The tax is collected on behalf of the parishes and the payment/distribution is a Legislative mandate. The increase is needed to cover the amount included in the current budget.
 - \$700K for replacement Scanners. The agency needs to replace 2 IT-4 scanners that have reached end of life. The replacement scanners are IT-6 and offer a more efficient, streamlined process, and added security features that are not available with the IT-4's.
 - \$145K for Capture Suite software. This software will upgrade scanners allowing darkening of documents which will reduce human error in keying. It will allow acceptance of documents from various formats so that imaging can be done from emails, faxes, CD's, file folders and more. There is added security reducing possible breach of information.
 - \$450K for Gaming Offsets. This will provide for a Web application to allow gaming institutions to create transactions to intercept amounts from debtors before issuing gaming winnings. The application system will search several real-time databases containing debt for the agency to offset.
 - \$105K for the Regional Economic Modeling software to allow LDR to analyze the State's economy and simulate the effects of proposed changes in tax statutes and incentives.
 - \$971K needed for Technology Equipment. The budget for the Office of Technology needs an increase for Desktop and laptop replacement and/or lease. The average age of current equipment is at least 4 years. This amount includes support costs.
 - \$250K increase for the FAST Enterprises LLC contract. There is an increase for maintenance & support of the Department's integrated tax processing software system, DELTA. Due to the frequent updates to the system for tax changes, process changes, etc., there is a need to increase the contract spending for this contract.
- **Has the department added any positions, including classified, unclassified, and other charges positions, in FY 17? If so, how many and what positions? Did the department request additional positions in the FY 18 budget request? If so, how many and what positions.**
 - FY17
 - Alcohol and Tobacco Control (ATC) was appropriated three (3) positions in House Bill 1 for Fiscal Year 2017. The positions titles are ATC Agent 1.

- These agents are needed to enforce regulations in the New Orleans, Lake Charles and Amite/Tangipahoa and Livingston areas.
 - These areas have not had an ATC presence for some time. This has enabled the agency to enforce relevant laws in these areas.
 - Tax Collection received Human Resource Positions in the Human Capital Management deconsolidation
 - Human Resources Director (1)
 - Human Resources Specialist (3)
 - Human resources Analyst (3)
 - Human Resources Supervisor (1)
 - Training and Development Specialist (2)
- FY18
 - Alcohol Tobacco Control (ATC) is requesting 2 additional positions.
 - Act 94 of the Regular Session of 2015, levied a tax on the sale, use consumption, handling or distribution of smokeless tobacco, and vapor products and electronic cigarettes. Currently ATC performs 5466 tobacco inspections. The addition of smokeless tobacco vendors and distributors is estimated to add 800-1500 additional outlets over the next two years that will need to be monitored for compliance.
 - ACT 406 regarding tobacco pricing reporting requirement. The FDA regulations will require additional tobacco specific enforcement to ensure the many vape and alternative tobacco products being sold state wide are in fact registered with the FDA and LDR and are safe for consumption. The administrative position is needed for the FDA regulations to monitor the manufacturer registrations of vape products and also as well as the Direct Shipper laws which passed at the end of last session. Monitoring the registration of the shippers, reviewing shipping manifest and communicating with the carriers is a specialized task that should be allocated to one administrative person.
 - ATC Agent 2
 - Administrative Coordinator
- **Provide a summary of changes in salaries from FY 16 to FY 17, including performance adjustments, promotions, or any other changes in salaries. Provide a summary of requested changes in salaries from FY 17 to FY 18, including performance adjustments, promotions, or any other changes in salaries.**
 - From FY16 to FY17 budget. Overall Personal Services decreased \$2.28M
 - \$2.8M decrease in salaries
 - \$161K decrease in wages
 - \$697K increase in benefits
 - \$176K increase in retirement
 - \$397K increase in post-retirement obligations
 - \$113K decrease in unemployment insurance/payroll tax

- \$237k Increase in group insurance costs
- Changes in FY 17 (projected through 6/30/2017) on an individual basis

Row Labels	Sum of difference	Count of Count
Alcohol and Tobacco Control (ATC)	\$ 21,664.16	8
Reallocation in CPG	\$ 15,618.68	6
Promotion	\$ 6,045.48	2
Office of Charitable Gaming (OCG)	\$ 12,710.44	3
Reallocation in CPG	\$ 8,544.60	2
Promotion	\$ 4,165.84	1
Tax Collection (TC)	\$ 131,292.61	37
Detail to Special Duty	\$ 24,901.15	5
Reallocation in CPG	\$ 82,932.28	26
Promotion	\$ 23,459.17	6
Grand Total	\$ 165,667.20	48

- FY 18 Requested Changes
 - Alcohol and Tobacco Control (ATC) Adjustments:
 - Career Progression Increases \$7,327
 - Performance Adjustments \$54,116
 - Annualization & Base Adjustment \$240,177
 - Office of Charitable Gaming (OCG) Adjustments:
 - Career Progression Increases \$1,907
 - Performance Adjustments \$25,242
 - Annualization & Base Adjustment \$15,006
 - Tax Collection (TC) adjustments:
 - Career Progression Increases \$84,829
 - Performance Adjustments \$823,784
 - Annualization & Base Adjustment \$2,713,749

Supplemental Request

- **What budget adjustments have been made since the initial appropriation to your department? How much in each means of finance has been appropriated to each agency since the initial appropriation?**
 - \$25,484,457 MOF swap reducing the agency's appropriation of general fund. There have been no other appropriations made to the agency since the start of the fiscal year.
- **Do your spending and staffing levels match the priorities of your department?**
 - No. The agency requires additional funding to adequately staff essential activities in order to perform the mission of the agency. The agency requires additional staffing in Policy, Litigation, Field Audit and the Customer Service Divisions.

- Provide the top 5 performance measures that give the outcomes in your department. How do you rank nationally based on these priority measures?

	Louisiana Department of Revenue		
	FY14	FY15	FY16
Abandonment Rate	16.90%	9.40%	11.60%
Processing Time (Tax Returns)	2.33	3.53	2.40
Processing Time (Payments)	1.58	1.9	2.31
Audit Collections	\$ 363,189,589	\$ 150,097,048	\$ 111,940,741
Delinquent Collections(non Audit)	\$ 534,039,923	\$ 344,968,744	\$ 557,301,620
Fraud Intercepts	\$ 12,326,061	\$ 12,763,889	\$ 15,540,479

- Provide a list of all sources of revenue that are not appropriated. These funds could include restricted or off budget accounts. Also, please provide the amount anticipated to be used in FY 17, the amount in FY 18, and any balance or reserve amount for each source or revenue.
 - The agency has no other sources of revenue that are not appropriated by the Legislature.