FY19-20 HB105 Review
DEPARTMENT OF REVENUE

House Committee on Appropriations
by the House Fiscal Division

April 2, 2019
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**DEPARTMENT FUNCTIONS**

### Tax Collection

**Administration** - Executive arm of the Department including management functions such as: accounting and budgeting, payroll, facilities management, purchasing, human resources, and technology management.

**Tax Policy Management** - Prepares fiscal notes, legislation, coordinates rules, 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 state and local tax revenues.

**Taxpayer Assistance** - Helps taxpayers understand their tax reporting and payment obligations via telephone, personal contact, and written inquiries; engages in outreach opportunities, consultation visits, and processing of tax exemptions, certifications, permits, and clearances.

**Tax Compliance** - Examines, audits, or investigates tax related issues. Conducts tax return examinations and reconciles information to identify non-filers and under reporters. Field staff, located throughout the state and the United States, conduct audits of businesses that have activity in Louisiana 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.
Alcohol and Tobacco Control

Administration and Certification Division
Responsible for distributing 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 by conducting random inspections at locations where alcoholic beverages and tobacco products are sold. Agents also investigate current license holders’ operations to ensure compliance with industry fair trade laws. 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.
Office of Charitable Gaming

Administrative Section
Administers and enforces the laws and regulations associated with the activities of charitable gaming.

Certification Section
Reviews applications for licenses to conduct charitable gaming activities and performs the issuance of licenses.

Audit and Enforcement Section
Conducts 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.
**Existing Operating Budget as of 12/1/18**

*Source: Budget Supporting Documents and HB105 of 2019 RS*

*HB105 of 2019 RS*

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**State General Fund**

- FY11: $0.0
- FY12: $0.0
- FY13: $0.1
- FY14: $0.0
- FY15: $1.4
- FY16: $14.7
- FY17: $12.0
- FY18: $0.0
- FY19*: $0.0
- FY20**: $0.0

**State Effort**

- FY11: $0.0
- FY12: $0.0
- FY13: $0.1
- FY14: $0.0
- FY15: $1.4
- FY16: $14.7
- FY17: $12.0
- FY18: $0.0
- FY19*: $0.0
- FY20**: $0.0

**Total Means of Finance**

- FY11: $85.4
- FY12: $84.2
- FY13: $83.9
- FY14: $89.1
- FY15: $102.0
- FY16: $97.4
- FY17: $87.8
- FY18: $97.8
- FY19*: $105.1
- FY20**: $107.6

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*House Fiscal Division*  
*Department of Revenue*  
*Pg 7*  
*Chris Henry  225.342.1394*
### Major Sources of Funding

<table>
<thead>
<tr>
<th>Interagency Transfers</th>
<th>Self Generated Revenue</th>
<th>Statutory Dedications</th>
</tr>
</thead>
<tbody>
<tr>
<td>$305,000</td>
<td>$107 Million</td>
<td>$550,000</td>
</tr>
</tbody>
</table>

**Interagency Transfers**

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.

**Self Generated Revenue**

- Revenue from late payment delinquent fees, negligence fees, underestimated tax fees, and debt recovery fees.
- Various licenses, permits, and fines.

**Statutory Dedications**

- **Tobacco Regulation Enforcement Fund:** Receives revenues from one quarter of one-twentieth of one cent (.0125%) per cigarette from the tax on cigarettes.
## Funding Change Overview

<table>
<thead>
<tr>
<th>Means of Financing</th>
<th>FY 17-18 Prior Year Actual Expenditures</th>
<th>FY 18-19 Existing Operating Budget</th>
<th>FY 19-20 HB105</th>
<th>$ Change from Existing</th>
<th>% Change from Existing</th>
<th>$ Change from Actuals</th>
<th>% Change from Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund</td>
<td>$33,892,156</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
<td>($33,892,156)</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Interagency Transfers</td>
<td>$352,067</td>
<td>$455,000</td>
<td>$305,000</td>
<td>($150,000)</td>
<td>(33.0%)</td>
<td>($47,067)</td>
<td>(13.4%)</td>
</tr>
<tr>
<td>Fees and Self-Gen Rev</td>
<td>$63,374,222</td>
<td>$104,564,842</td>
<td>$107,041,014</td>
<td>$2,476,172</td>
<td>2.4%</td>
<td>$43,666,792</td>
<td>68.9%</td>
</tr>
<tr>
<td>Statutory Dedications</td>
<td>$543,583</td>
<td>$550,000</td>
<td>$550,000</td>
<td>$0</td>
<td>0.0%</td>
<td>$6,417</td>
<td>1.2%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Means of Finance</strong></td>
<td><strong>$98,162,028</strong></td>
<td><strong>$105,569,842</strong></td>
<td><strong>$107,896,014</strong></td>
<td><strong>$2,326,172</strong></td>
<td><strong>2.2%</strong></td>
<td><strong>$9,733,986</strong></td>
<td><strong>9.9%</strong></td>
</tr>
</tbody>
</table>

**($150K) IAT**
Reduction in payments from the Louisiana Department of Health to the Alcohol Tobacco Control Program.

**$2.5 M Fees & Self-Generated**
Increase in budget authority supported by projected collections and accumulated balances on various sources of self-generated revenue.
## Expenditure Change Overview

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>FY 17-18 Prior Year Actual Expenditures</th>
<th>FY 18-19 Existing Operating Budget</th>
<th>FY 19-20 HB105</th>
<th>$ Change from Existing</th>
<th>% Change from Existing</th>
<th>$ Change from Actuals</th>
<th>% Change from Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$34,998,959</td>
<td>$39,156,888</td>
<td>$39,909,407</td>
<td>$752,519</td>
<td>1.9%</td>
<td>$4,910,448</td>
<td>14.0%</td>
</tr>
<tr>
<td>Other Compensation</td>
<td>$1,355,416</td>
<td>$1,671,536</td>
<td>$1,671,536</td>
<td>$0</td>
<td>0.0%</td>
<td>$316,120</td>
<td>23.3%</td>
</tr>
<tr>
<td>Related Benefits</td>
<td>$22,879,461</td>
<td>$25,549,567</td>
<td>$26,437,037</td>
<td>$887,470</td>
<td>3.5%</td>
<td>$3,557,576</td>
<td>15.5%</td>
</tr>
<tr>
<td>Travel</td>
<td>$687,785</td>
<td>$887,094</td>
<td>$887,094</td>
<td>$0</td>
<td>0.0%</td>
<td>$199,309</td>
<td>29.0%</td>
</tr>
<tr>
<td>Operating Services</td>
<td>$3,944,073</td>
<td>$6,112,567</td>
<td>$6,398,595</td>
<td>$286,028</td>
<td>4.7%</td>
<td>$2,454,522</td>
<td>62.2%</td>
</tr>
<tr>
<td>Supplies</td>
<td>$167,363</td>
<td>$378,052</td>
<td>$378,052</td>
<td>$0</td>
<td>0.0%</td>
<td>$210,689</td>
<td>125.9%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$492,534</td>
<td>$1,850,458</td>
<td>$1,850,458</td>
<td>$0</td>
<td>0.0%</td>
<td>$1,357,924</td>
<td>275.7%</td>
</tr>
<tr>
<td>Other Charges</td>
<td>$33,454,316</td>
<td>$29,527,673</td>
<td>$29,871,905</td>
<td>$344,232</td>
<td>1.2%</td>
<td>($3,582,411)</td>
<td>(10.7%)</td>
</tr>
<tr>
<td>Acq/Major Repairs</td>
<td>$182,121</td>
<td>$436,007</td>
<td>$491,930</td>
<td>$55,923</td>
<td>12.8%</td>
<td>$309,809</td>
<td>170.1%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$98,162,028</td>
<td>$105,569,842</td>
<td>$107,896,014</td>
<td>$2,326,172</td>
<td>2.2%</td>
<td>$9,733,986</td>
<td>9.9%</td>
</tr>
<tr>
<td>Authorized Positions</td>
<td>712</td>
<td>712</td>
<td>712</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
$1.6M - Personal Services (Salaries & Related Benefits)

- $890K - Net increase in salaries from adjustments to market rate classified, salary base, projected attrition savings, and workload adjustments.
- $1.2M - Net increase in related benefits from adjustments to the retirement rate, group insurance, and workload adjustments.
- ($474K) - Personnel reductions and the elimination of 5 authorized positions in the Tax Collection program.

$286K - Operating Services

- ($275K) - Moving expenses for the Office of Charitable Gaming not needed in FY20.
- $571K - Costs associated with opening Tax Collection field offices around the state and in Houston.

$344K - Other Charges

- ($3.1M) - Expenses for technology and expiring IAT agreements not needed in FY20.
- ($1.2M) - Reduction in rent payments for office space in the LaSalle building.
- $3.6M - Funding to replace Imaging & Data Capture System.
- $851K - Net increase for services such as OTS fees, Risk Management, and Legislative Auditor fees.
$55K - Acquisitions and Major Repairs

- ($436K) - Non-recurring acquisitions.
- $166K - Purchase of office chairs for staff in the LaSalle building.
- $3K - Projectors for use during statewide training sessions.
- $95K - Office furniture for new regional field offices.
- $82K - Equipment for ATC agents such as firearms, ammunition, uniforms, bulletproof vest, and training materials.
- $145K - Replace 4 enforcement vehicles used by ATC agents. These vehicles range from 9 - 15 years old.

Net Zero - Authorized Positions

- (5) - Elimination of positions and associated funding in the Tax Collections program
- 5 - Increase in positions and associated funding for the Alcohol, Tobacco, Control program to bolster enforcement needs related to the illegal shipment of alcohol into the state, E-Cigarette and Vapor Compliance, and Human Trafficking Compliance Enforcement.
EXPENDITURE HISTORY (IN MILLIONS)


- Other Charges: $29.9
- Personnel Services: $68.0
- Professional Services: $1.9
- Operating Expenses: $7.7
- Acquisitions & Major Repairs: $0.5

Source: Budget Supporting Documents and HB105 of 2019 RS

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Department of Revenue - Pg 13
Chris Henry 225.342.1394
Analysis shows approximately 13.8% or $14.5 million in total means of finance budget authority could be unspent at year-end based on actual spending February and projections to the end of the year.

The department’s budget is comprised of 99% FSGR. All FSGR collections in excess of expenditure authority is carried over to the next fiscal year. The projected balance from FY19 is built into the FY20 budget.

In FY18, the department did not spend $9.5M of its budget authority comparing its end of year budget and actual expenditures while factoring in funds carried to FY19.
### Other Charges

<table>
<thead>
<tr>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,327,313</td>
<td>IT consolidation with the Office of Technology Services</td>
</tr>
<tr>
<td>$3,110,706</td>
<td>Total rent and building maintenance for office space in state owned buildings including Benson Tower</td>
</tr>
<tr>
<td>$2,983,500</td>
<td>State Mail Operations</td>
</tr>
<tr>
<td>$2,680,893</td>
<td>Office of Technology Services Fees for technology, telecommunications, and modernization services</td>
</tr>
<tr>
<td>$1,667,266</td>
<td>State Printing</td>
</tr>
<tr>
<td>$716,383</td>
<td>Other charges positions to handle call center operations</td>
</tr>
<tr>
<td>$661,651</td>
<td>Office of Risk Management Premiums</td>
</tr>
<tr>
<td>$639,440</td>
<td>Legislative Auditor Fees</td>
</tr>
<tr>
<td>$401,889</td>
<td>Payment to the State Treasurer for central banking services fees</td>
</tr>
<tr>
<td>$293,000</td>
<td>ATC Investigator travel expenses</td>
</tr>
<tr>
<td>$1,389,864</td>
<td>All other expenditures combined</td>
</tr>
<tr>
<td><strong>$29,871,905</strong></td>
<td><strong>TOTAL OTHER CHARGES</strong></td>
</tr>
</tbody>
</table>

*Source: Budget Supporting Documents*
FY2019-20

Personnel/Budget Ratio

$41.6 M Salaries and Other Comp.
+ $26.4 M Related Benefits
= $68.0 M Total Personnel Services

87.2% of budget expenditures (excluding Other Charges)

Authorized Positions
- 712 (701 classified and 11 unclassified)
- 15 Other Charges Positions
- 6 Non-TO FTE Positions
- The Department of Revenue had 62 vacancies as of January 31, 2019
- 5 vacant positions were eliminated
- 5 new authorized positions were created

*Existing Operating Budget as of 12/1/18
Source: Dept. of Civil Service and Budget Supporting Documents
**About the 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 123 state and local agencies have signed a Letter of Participation of which 94 have placed debt with ODR.

<table>
<thead>
<tr>
<th>Entity Type with Debt at ODR</th>
<th>Number of Debt Accounts</th>
<th>Total Dollar Amount of Debt as of Dec. 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Agencies</td>
<td>771,125</td>
<td>$483,370,903</td>
</tr>
<tr>
<td>Higher Education</td>
<td>3,023</td>
<td>$3,275,426</td>
</tr>
<tr>
<td>Municipalities</td>
<td>15,419</td>
<td>$8,368,288</td>
</tr>
<tr>
<td><strong>ODR Total</strong></td>
<td><strong>789,567</strong></td>
<td><strong>$495,014,617</strong></td>
</tr>
</tbody>
</table>

*Source: Department of Revenue*
ODR Operations:

There is no cost to the agency for participating with ODR. Once a debt is placed, a 25% ODR collection fee is added to the debt. ODR operates entirely on this fee.

Agencies receive funds as they are collected up to 100% of the original amount.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Tax Refund Offsets</th>
<th>Other Collection Methods</th>
<th>Total Debt Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>$82,109</td>
<td>$14,365</td>
<td>$96,474</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$13,442,376</td>
<td>$37,339,209</td>
<td>$50,781,585</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$15,445,238</td>
<td>$25,982,225</td>
<td>$41,427,463</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$9,253,040</td>
<td>$22,695,752</td>
<td>$31,948,792</td>
</tr>
<tr>
<td>FY 2019*</td>
<td>$908,541</td>
<td>$14,949,855</td>
<td>$15,858,396</td>
</tr>
</tbody>
</table>

Total Collected: $39,131,304 $100,981,406 $140,112,710

Source: Department of Revenue
HISTORICAL COST PER $100 COLLECTED

FY 08: $80.73
FY 09: $83.44
FY 10: $84.84
FY 11: $80.89
FY 12: $78.37
FY 13: $76.25
FY 14: $76.59
FY 15: $82.49
FY 16: $90.85
FY 17: $81.16
FY 18: $87.76

Cost to collect $100

Source: LAPAS/Budget Supporting Documents

House Fiscal Division
Department of Revenue
Chris Henry 225.342.1394
ATC LICENSES PROCESSING

Source: LAPAS/Budget Supporting Documents
Department Contacts

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**Secretary**
225.219.4059

Clarence Lymon  
**Undersecretary**
225.219.2152

Kevin Richard  
**Deputy Secretary**
225.219.4059