

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY19-20 HB105 Review

DEPARTMENT OF REVENUE

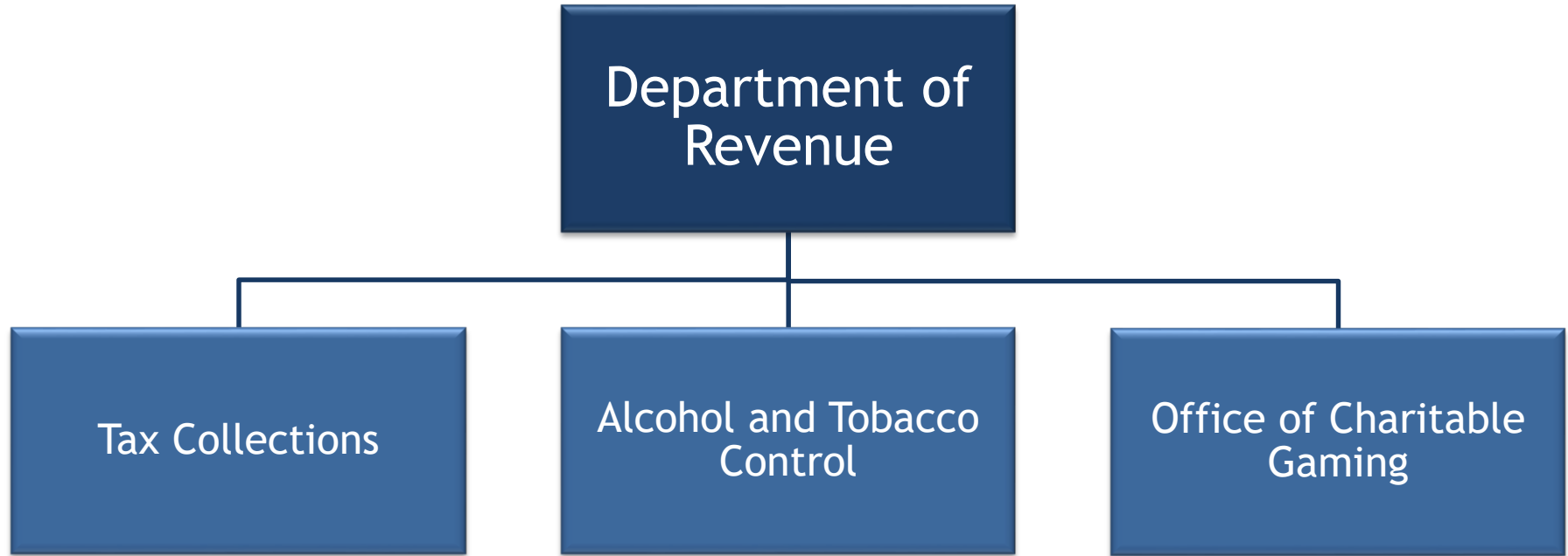
House Committee on Appropriations
by the House Fiscal Division

April 2, 2019

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DEPARTMENT ORGANIZATION



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.



The mission of the Department of Revenue is to fairly and efficiently collect state tax revenues to fund public services; to regulate charitable gaming and the sale of alcoholic beverages and tobacco; and to support state agencies in the collection of overdue debts.

DEPARTMENT FUNCTIONS

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.

DEPARTMENT FUNCTIONS

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 the performs the issuance of licenses.

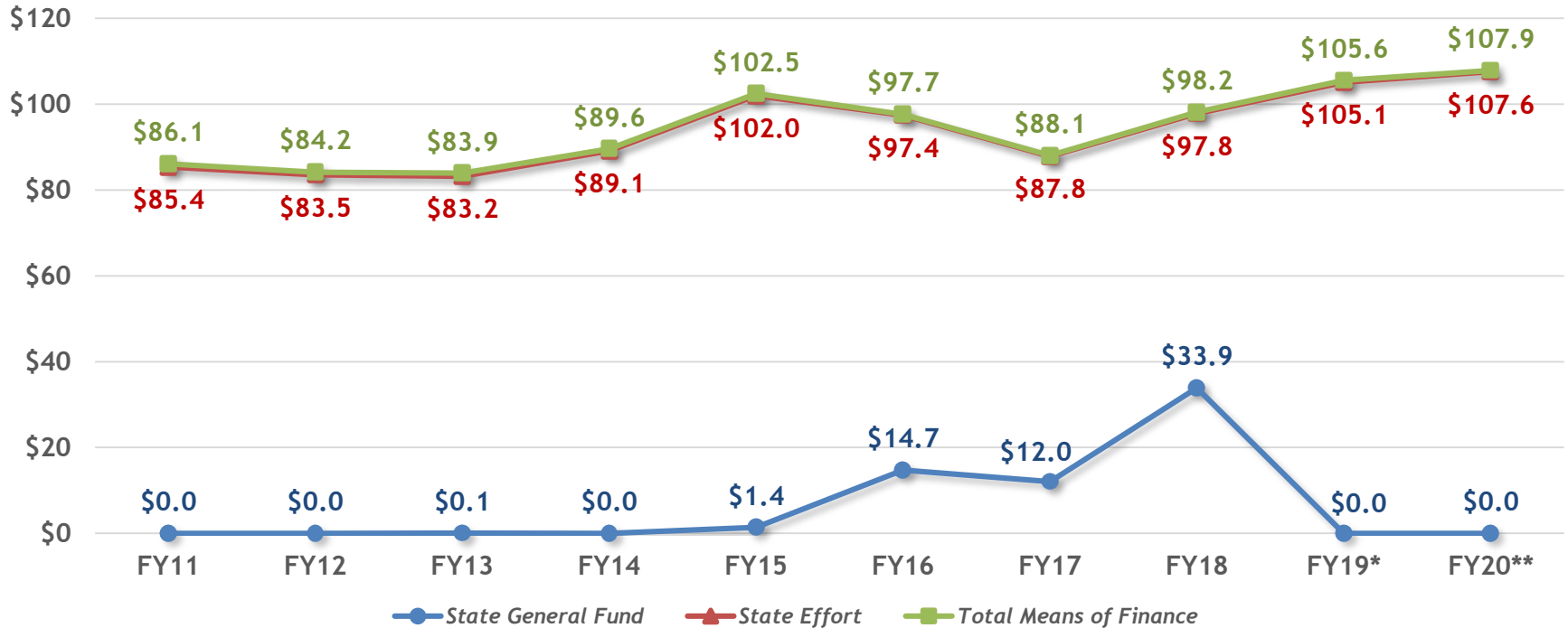
Audit and Enforcement Section

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.

BUDGET HISTORY (IN MILLIONS)



*Existing Operating Budget as of 12/1/18

**HB105 of 2019 RS

Source: Budget Supporting Documents and HB105 of 2019 RS

MAJOR SOURCES OF FUNDING

Interagency Transfers \$305,000

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 \$107 Million

- Revenue from late payment delinquent fees, negligence fees, underestimated tax fees, and debt recovery 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.

FUNDING CHANGE OVERVIEW

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



(\$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

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

SIGNIFICANT EXPENDITURE CHANGES

\$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.

SIGNIFICANT EXPENDITURE CHANGES

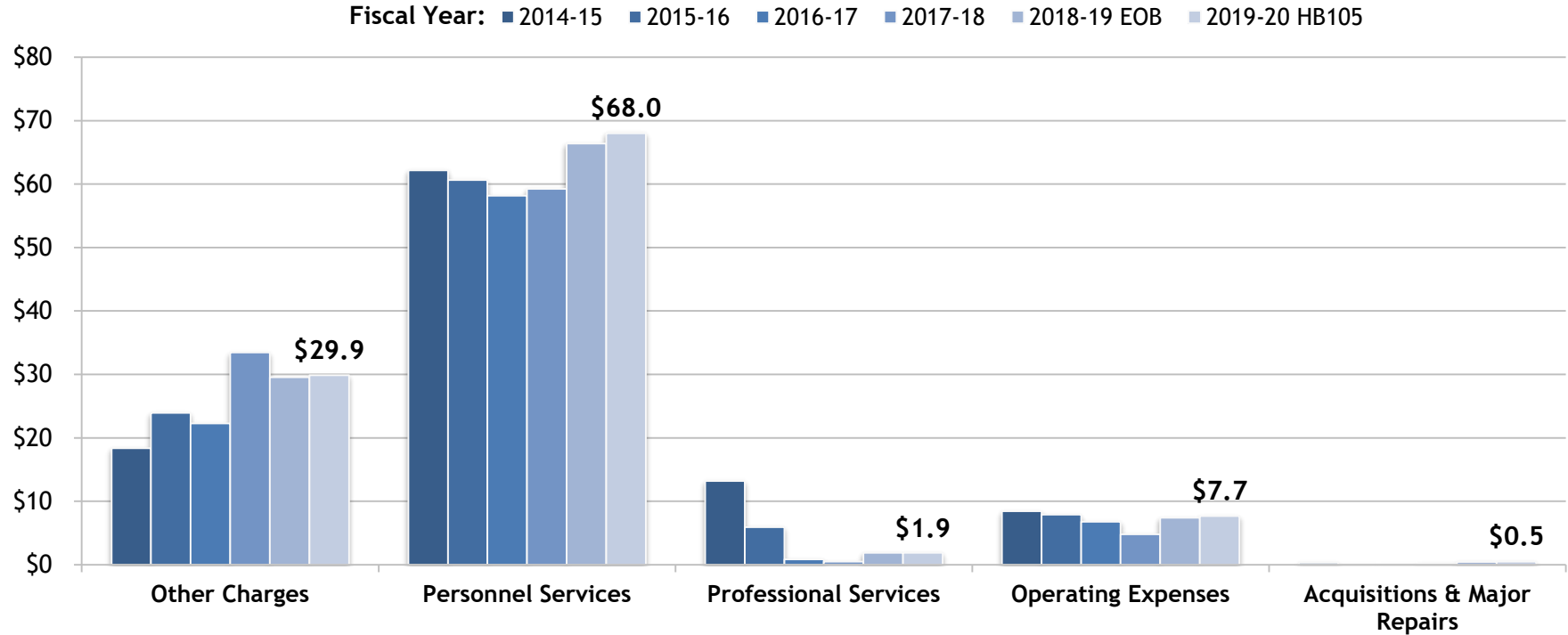
\$55K - Acquisitions and Major Repairs

- **(\$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

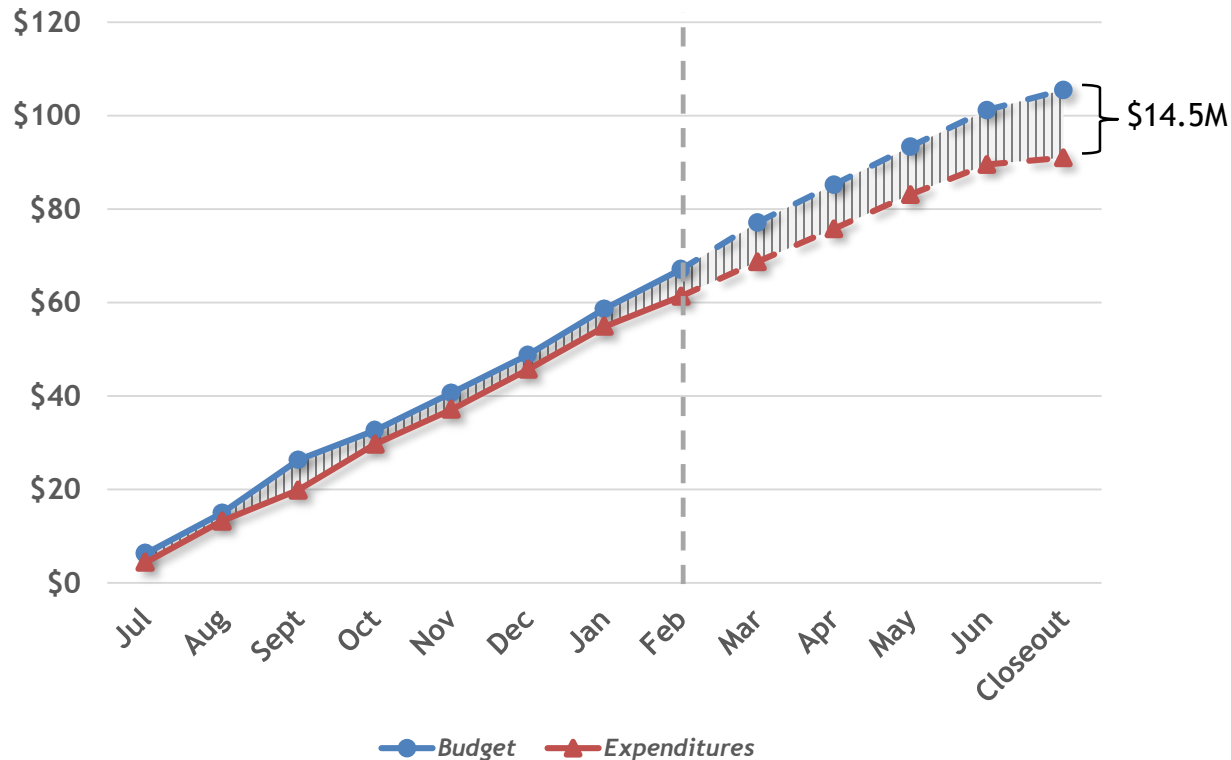
- **(5)** - Elimination of positions and associated funding in the Tax Collections program
- **5** - Increase in positions and associated funding for the Alcohol, Tobacco, Control program to bolster enforcement needs related to the illegal shipment of alcohol into the state, E-Cigarette and Vapor Compliance,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

EXPENDITURE HISTORY (IN MILLIONS)



Source: Budget Supporting Documents and HB105 of 2019 RS

FY19 EXPENDITURE TREND



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

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

PERSONNEL INFORMATION

FY2019-20

Personnel/Budget Ratio

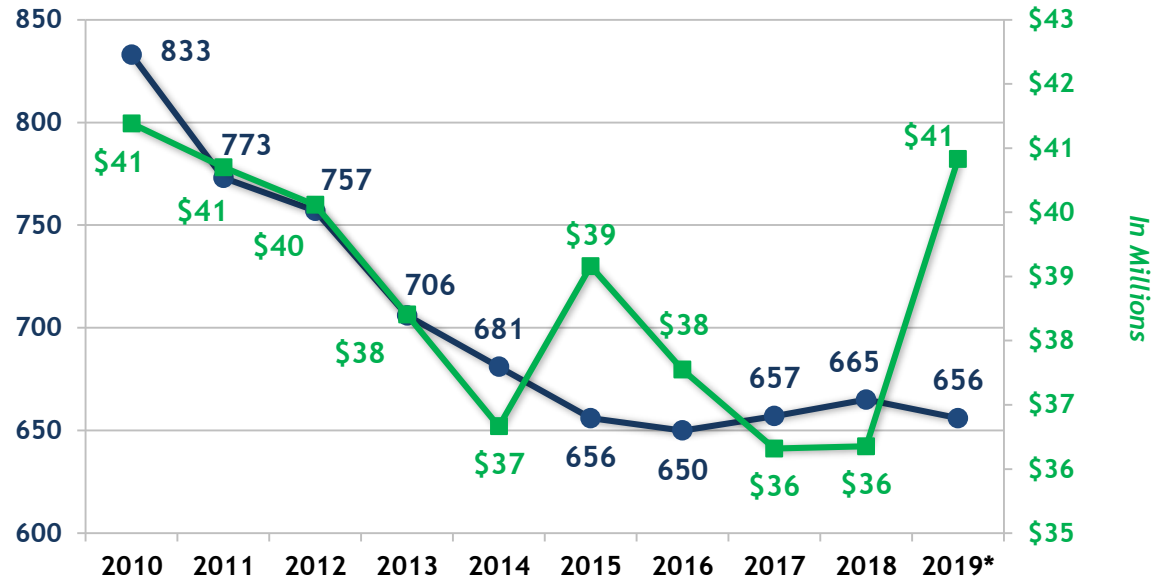
\$41.6 M	Salaries and Other Comp.
+ \$26.4 M	Related Benefits
= \$68.0 M	Total Personnel Services

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

10 Year FTE Positions/Salaries Expended



*Existing Operating Budget as of 12/1/18

Source: Dept. of Civil Service and Budget Supporting Documents

OFFICE OF DEBT RECOVERY

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.

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

OFFICE OF DEBT RECOVERY

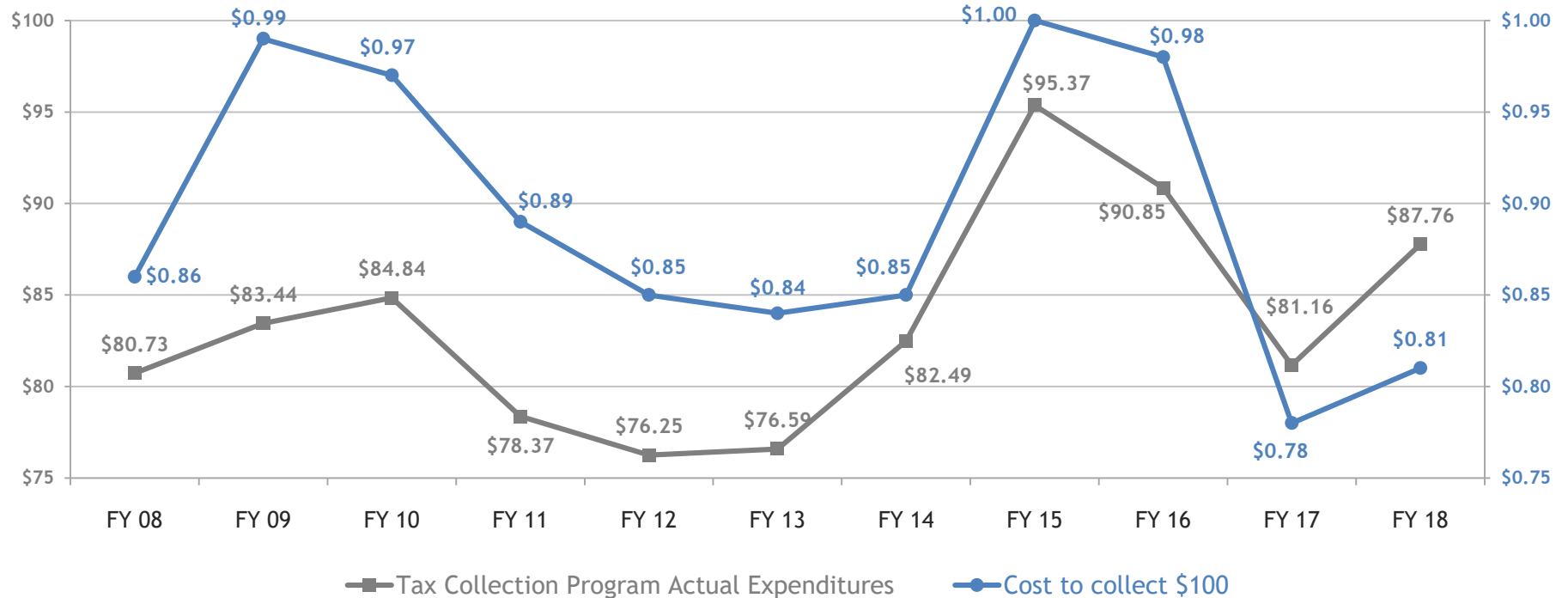
ODR Operations:

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.

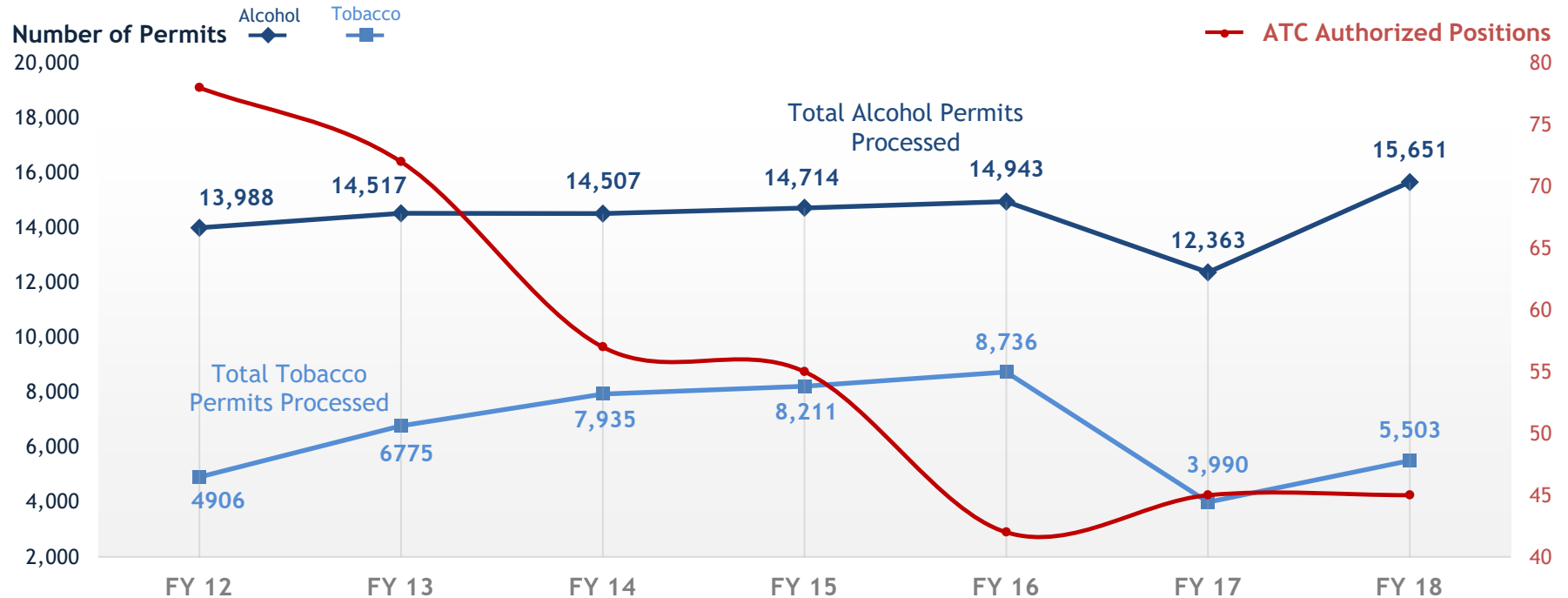
Fiscal Year	Tax Refund Offsets	Other Collection Methods	Total Debt Collected
FY 2015	\$82,109	\$14,365	\$96,474
FY 2016	\$13,442,376	\$37,339,209	\$50,781,585
FY 2017	\$15,445,238	\$25,982,225	\$41,427,463
FY 2018	\$9,253,040	\$22,695,752	\$31,948,792
FY 2019*	\$908,541	\$14,949,855	\$15,858,396
Total Collected	\$39,131,304	\$100,981,406	\$140,112,710

HISTORICAL COST PER \$100 COLLECTED



Source: LAPAS/Budget Supporting Documents

ATC LICENSES PROCESSING



Source: LAPAS/Budget Supporting Documents

DEPARTMENT CONTACTS



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