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Chairman



Representative Gary Carter
Vice Chairman

Fiscal Year 2020-21 HB105 Budget Review

Department of Revenue

House Committee on Appropriations
by the House Fiscal Division

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DEPARTMENT ORGANIZATION



DEPARTMENT OVERVIEW



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.

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 office staff 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.

DEPARTMENT OVERVIEW



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.

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.

DEPARTMENT OVERVIEW



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.

Office of Charitable Gaming

Administrative Section

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

Certification Section

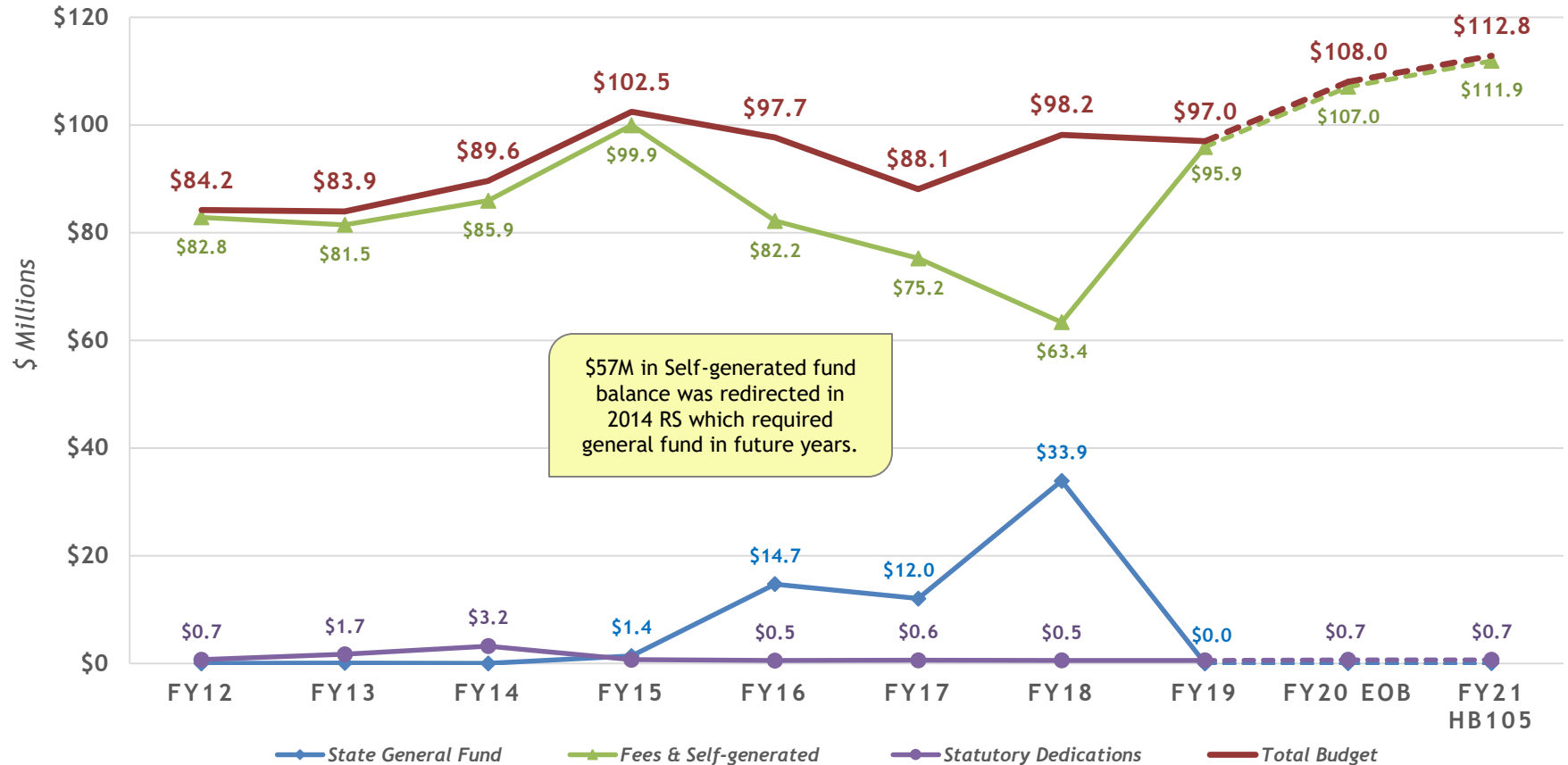
Reviews applications for licenses to conduct charitable gaming activities and the performs the issuance of licenses.

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.

HISTORICAL SPENDING

NOTE: All FY20 Existing Operating Budget (EOB) amounts used in this presentation exclude carryforwards from FY19



Source: Office of Planning and Budget - Budget Supporting Documents; and HB105 of the 2020 Regular Session

SOURCES OF FUNDING

Interagency Transfers \$285,000

- **\$120,000** - Transfer from the Louisiana Department of Health to ATC to perform random, unannounced inspections at location where tobacco products are sold.
- **\$165,000** - Transfer from the Department of Public Safety to ATC to enforce laws relating to the sale of alcohol to underage consumers

Self-generated Revenue \$111.9 Million

- Revenue from late payment delinquent fees, negligence fees, underestimated tax fees, and debt recovery fees.
- Various licenses, permits, and fines.
- The Department was authorized in Act 10 of the 2019 RS to carry over a \$92 million balance in fees and self-generated revenue from prior years into FY20. This funds department expenses early in the fiscal year before collections and limits reliance on the general fund.

Statutory Dedications \$657,914

\$557,914 - Tobacco Regulation Enforcement Fund

Receives revenues from one quarter of one-twentieth of one cent (.0125%) per cigarette from the tax on cigarettes.

\$100,000 - Louisiana Entertainment Development Fund

The department receives 25% of the fee charged for motion picture tax credit transfers.

FUNDING CHANGE COMPARISON

Means of Finance	FY 18-19 Actual Expenditures	FY 19-20 Existing Operating Budget*	FY 20-21 HB105 Budget	Change from EOB		Change from Actuals	
				\$	%	\$	%
SGF	\$0	\$0	\$0	\$0	0.0%	\$0	0.0%
IAT	\$526,287	\$305,000	\$285,000	(\$20,000)	(6.6%)	(\$241,287)	(45.8%)
FSGR	\$95,899,651	\$107,041,014	\$111,893,887	\$4,852,873	4.5%	\$15,994,236	16.7%
STAT DED	\$550,000	\$650,000	\$657,914	\$7,914	1.2%	\$107,914	19.6%
FEDERAL	\$0	\$0	\$0	\$0	0.0%	\$0	0.0%
Total	\$96,975,938	\$107,996,014	\$112,836,801	\$4,840,787	4.5%	\$15,860,863	16.4%

Significant revenue changes from EOB:



\$20K Interagency Transfers

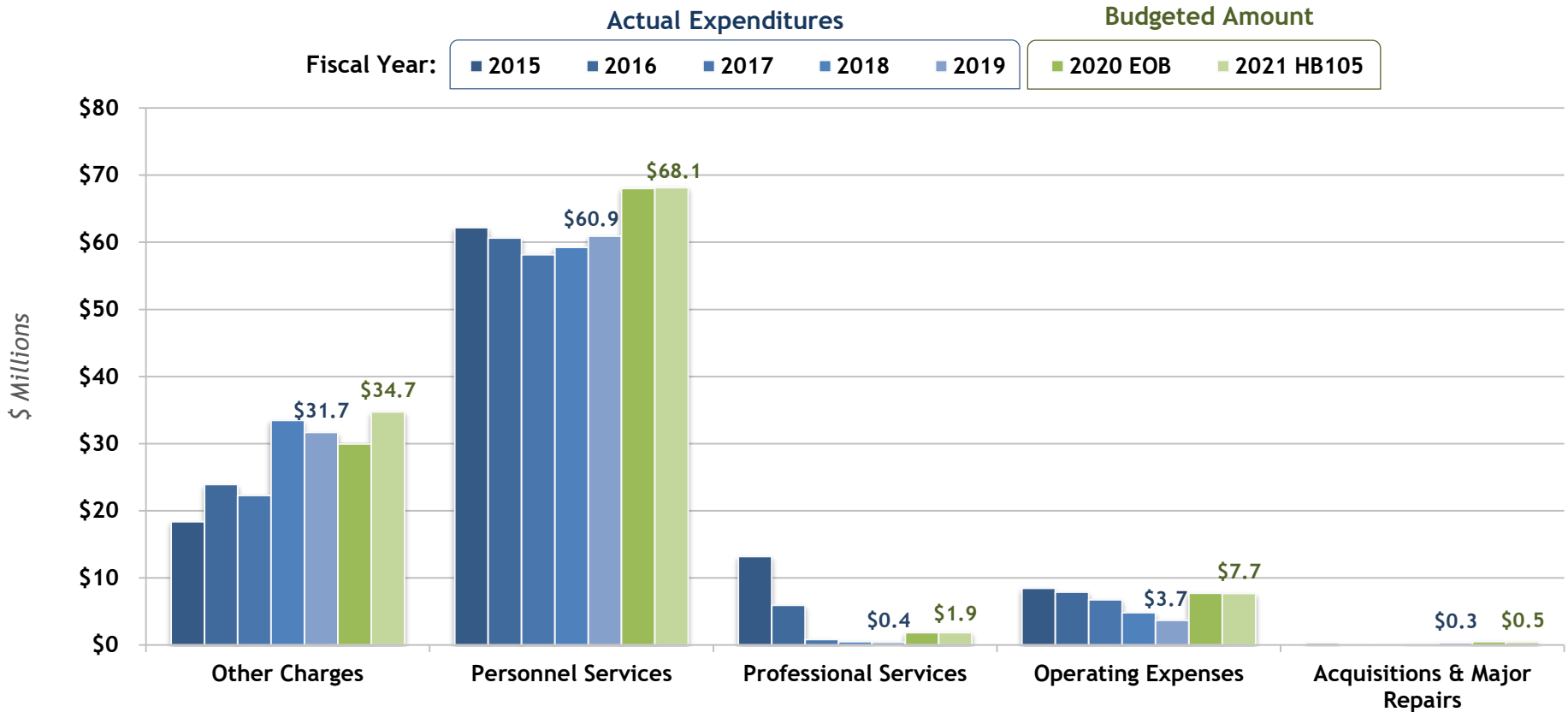
Removal of one-time funding from DOTD from a Federal Highway Motor Fuel Project for the enhancement of compliance with collection of highway use taxes.



\$4.4M Fees & Self-generated

Increase in authority to use self-generated funds from prior-year collections.

EXPENDITURE HISTORY



Source: Office of Planning and Budget - Executive and Proposed Budget Supporting Documents

EXPENDITURE CHANGE COMPARISON

Expenditure Category	FY 18-19 Actual Expenditures	FY 19-20 Existing Operating Budget	FY 20-21 HB105 Budget	Change from EOB		Change from Actuals	
				\$	%	\$	%
Salaries	\$36,553,136	\$39,909,407	\$39,687,589	(\$221,818)	(0.6%)	\$3,134,453	8.6%
Other Compensation	\$1,447,065	\$1,671,536	\$1,671,536	\$0	0.0%	\$224,471	15.5%
Related Benefits	\$22,907,199	\$26,437,037	\$26,760,769	\$323,732	1.2%	\$3,853,570	16.8%
Travel	\$893,199	\$927,094	\$997,168	\$70,074	7.6%	\$103,969	11.6%
Operating Services	\$2,598,864	\$6,398,595	\$6,308,521	(\$90,074)	(1.4%)	\$3,709,657	142.7%
Supplies	\$162,162	\$378,051	\$378,051	\$0	0.0%	\$215,889	133.1%
Professional Services	\$422,753	\$1,850,458	\$1,850,458	\$0	0.0%	\$1,427,705	337.7%
Other Charges/IAT	\$31,658,915	\$29,931,905	\$34,722,384	\$4,790,479	16.0%	\$3,063,469	9.7%
Acq/Major Repairs	\$332,645	\$491,931	\$460,325	(\$31,606)	(6.4%)	\$127,680	38.4%
Total	\$96,975,938	\$107,996,014	\$112,836,801	\$4,840,787	4.5%	\$15,860,863	16.4%

Source: Office of Planning and Budget - Budget Supporting Documents and HB105 of the 2020 Regular Session

SIGNIFICANT EXPENDITURE CHANGES

\$101,914 - Net Change in Salaries, Other Compensation, and Related Benefits

Combination of statewide personal services adjustments and the addition of \$658,781 to fund 8 new T.O. positions in ATC for increased workload related to CBD legalization.

\$70K - Travel

\$70,074

Increase to fund conference travel both in and out of state for staff to attend professional and training workshops on taxation, accounting standards, legal education, human resources, and continuing education credit needs.

\$4.8 M - Other Charges

\$4.6M

Upgrading data center equipment to modernize security and remove aging equipment. The department is moving its server and data storage services to the Office of Technology Services.

\$148K

Net change in statewide services primarily driven by a \$287K increase in transfers to OTS.

(\$32K) - Acquisitions

(\$492K)

Acquisitions from FY20 which will not be purchased in FY21.

\$460K

New acquisitions for FY21 including vehicle replacement, office equipment, bulletproof vests, ammunition, surveillance equipment, and other field equipment for ATC.

OTHER CHARGES DETAIL

Other Charges

Amount	Description
\$718,043	Other Charges postions (15) for call center operations
\$253,000	Travel costs for in-state investigators
\$971,043	Total Other Charges

Interagency Transfers

Amount	Description
\$21,159,022	Technology related expenses
\$4,706,227	Statewide Services (Mailing, Treasury, LLA, Civil Service)
\$2,301,671	Rent (LaSalle Building and Benson Tower)
\$1,825,935	Office of Telecommunications
\$1,667,266	State Printing
\$791,800	Building Maintenance
\$601,996	Office of Risk Management Fees
\$474,082	Security Costs
\$223,342	Other state department transfers (DoJ, DNR, DCFS)
\$33,751,341	Total OC-Interagency Transfers

FY19 UNSPENT AUTHORITY

	End of Fiscal Year Budget	Actual Amount Spent	Unspent Budget Authority	Unspent Budget %	Unspent % by MOF
SGF	\$0	\$0	\$0	0.0%	0.0%
IAT	\$535,000	\$526,287	\$8,713	1.6%	0.1%
FSGR	\$104,094,252	\$95,899,651	\$8,194,601	7.9%	98.7%
STAT DED	\$650,000	\$550,000	\$100,000	15.4%	1.2%
FEDERAL	\$0	\$0	\$0	0.0%	0.0%
FY19 TOTAL	\$105,279,252	\$96,975,938	\$8,303,314	7.9%	100.0%

Historical Total Unspent Authority for Comparison

FY18 TOTAL	\$107,662,470	\$98,162,028	\$9,500,442	8.8%
FY17 TOTAL	\$94,912,283	\$88,054,012	\$6,858,271	7.2%
3 YR AVG	\$102,618,002	\$94,397,326	\$8,220,676	8.0%

The Department of Revenue's budget is nearly all Fees & Self-generated Revenue. This funding is authorized in the General Appropriations Act to carry-over from year to year in an effort to reduce the department's reliance on state general fund.

FY19 UNSPENT AUTHORITY

Did department collect all revenue budgeted?

	Final Budget (w/o carryforward)	Actual Revenue Collections	Collected Revenue
SGF	\$0	\$0	\$0
IAT	\$535,000	\$391,427	(\$143,573)
FSGR	\$104,094,252	\$105,326,434	\$1,232,182
SD	\$650,000	\$550,000	(\$100,000)
FED	\$0	\$0	\$0
TOTAL	\$105,279,252	\$106,267,861	\$988,609

The department collected \$989,000 more than the FY19 budget. These collections in excess are all from fees & self-generated revenue. Statutory dedications not collected are from the Louisiana Entertainment Development Fund.

Did department spend all collections?

	Actual Revenue Collections	Actual Expenditures	Unspent Revenue
SGF	\$0	\$0	\$0
IAT	\$391,427	\$506,288	\$114,861
FSGR	\$105,326,434	\$95,919,650	(\$9,406,784)
SD	\$550,000	\$550,000	\$0
FED	\$0	\$0	\$0
TOTAL	\$106,267,861	\$96,975,938	(\$9,291,923)

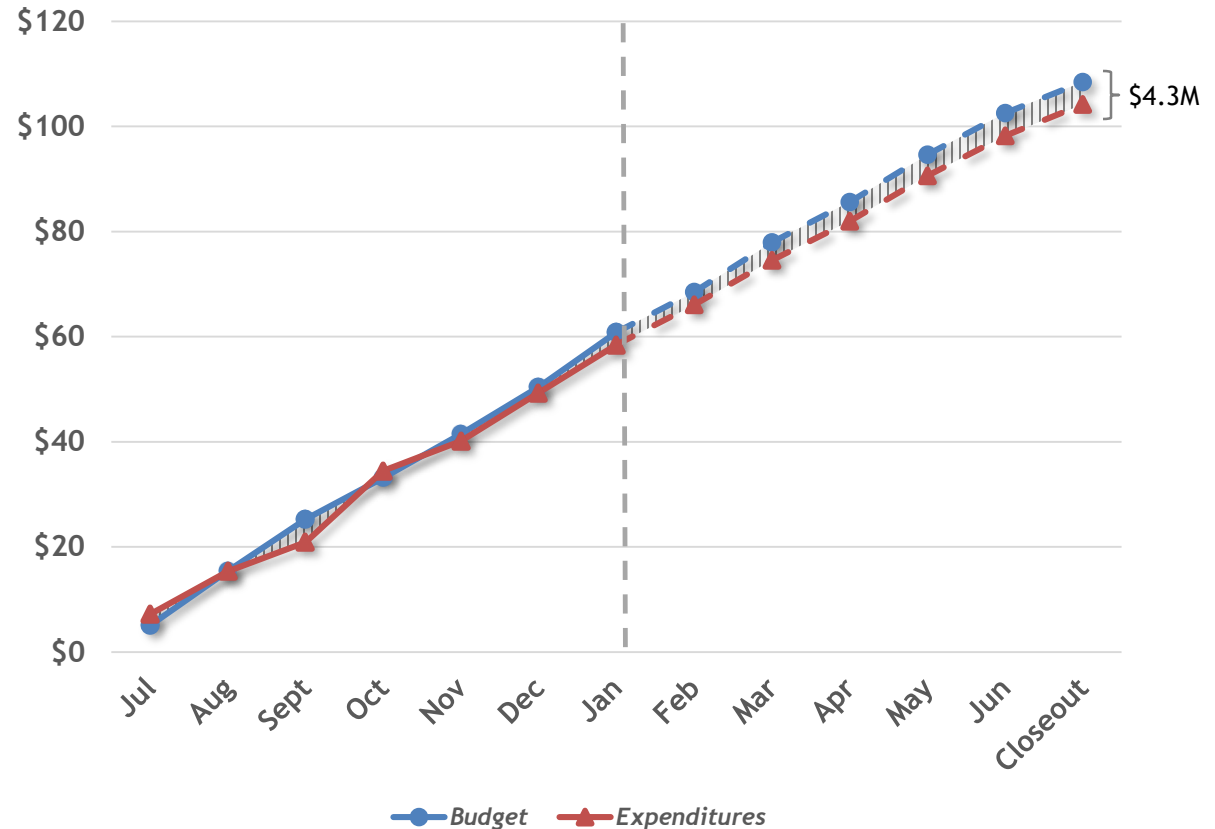
The department spent \$9.4 million less than was collected in fees and self-generated revenue. This revenue balance is authorized to be retained by the department from fiscal year to fiscal year. IAT revenue comes from reimbursable expenses from LDH and DPS for ATC inspection activities. In FY19, some of these reimbursements were not received in time to be accounted for in the fiscal year.

CURRENT EXPENDITURE TREND

Analysis shows approximately 3.92% or \$4.3 million in total budget authority from all means of finance could be unspent at year-end based on actual spending through January 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. This balance from FY20 is built into the FY21 budget.

For FY19, HFD projected the department would have \$14.5M in remaining authority, when they actually had \$8.8M in authority left at year end. This was a result of expenses paid in the closeout period of the year.

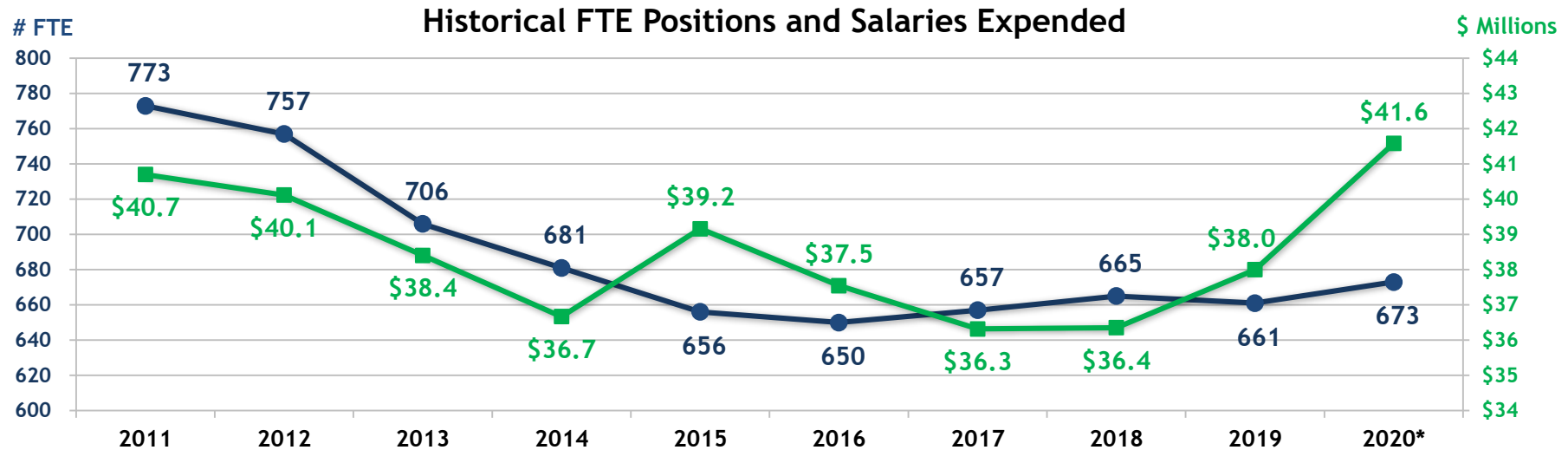
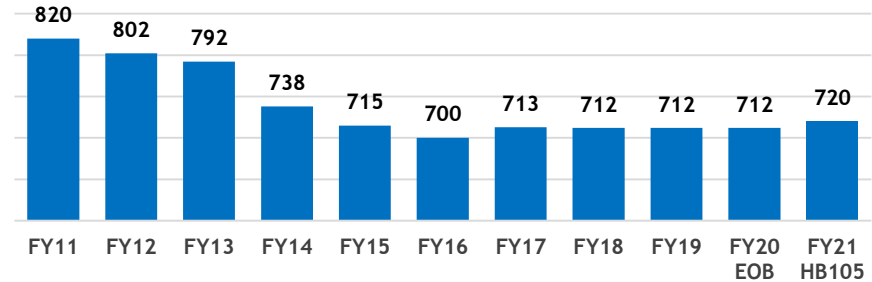


PERSONNEL INFORMATION

FY 2021 Recommended Positions

720	Total Authorized T.O. Positions (709 Classified, 11 Unclassified)
15	Authorized Other Charges Positions
6	Non-T.O. FTE Positions
47	Vacant Positions (February 3, 2020)

Historical Authorized T.O. Positions



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 115 state and local agencies have signed a Letter of Participation of which 101 have placed debt with ODR.

Entity Type with Debt at ODR	Number of Debt Accounts	Total Dollar Amount of Debt <i>as of Sept. 30, 2019</i>
State Agencies	823,581	\$508,218,729
Higher Education	3,221	\$3,402,992
Municipalities	17,723	\$10,764,983
ODR Total	844,525	\$522,386,704

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	Total Debt Collected
FY 2015	\$96,474
FY 2016	\$50,781,585
FY 2017	\$41,427,463
FY 2018	\$31,948,792
FY 2019	\$60,750,004
FY2020 - 9/30/19	\$12,350,235
Total Collected	\$197,354,553

DEPARTMENT CONTACTS



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