

Agency Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	97,771,361	104,492,021	6,720,660	6.87 %
Operating Expenses	32,292,172	37,859,722	5,567,550	17.24 %
Equipment & Intangible Assets	3,178,711	61,108	(3,117,603)	(98.08)%
Capital Outlay	55,691	0	(55,691)	(100.00)%
Transfers	3,000	3,000	0	0.00 %
Debt Service	2,292,756	2,325,272	32,516	1.42 %
Total Expenditures	\$135,593,691	\$144,741,123	\$9,147,432	6.75 %
General Fund	114,525,454	122,252,691	7,727,237	6.75 %
State/Other Special Rev. Funds	13,053,707	13,443,476	389,769	2.99 %
Federal Spec. Rev. Funds	559,664	1,003,536	443,872	79.31 %
Proprietary Funds	7,454,866	8,041,420	586,554	7.87 %
Total Funds	\$135,593,691	\$144,741,123	\$9,147,432	6.75 %
Total Ongoing	\$135,343,782	\$144,371,123	\$9,027,341	6.67 %
Total OTO	\$249,909	\$370,000	\$120,091	48.05 %

Mission Statement

To be the nation's most citizen-oriented, efficiently administered, state tax agency.

Please refer to the agency profile at <https://leg.mt.gov/lfd/appropriation-subcommittee-section-a/agency-department-revenue/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> • The Department of Revenue's 2025 biennium HB 2 budget request is approximately \$9.1 million or 6.7% higher than the 2023 biennium • Approximately 50.0% of the executive proposal increase is due to statewide present law adjustments. Personal services account for 17.8%, fixed costs 8.8%, and inflation/deflation 23.3% of the total proposed budget increase • The executive proposal also includes: <ul style="list-style-type: none"> ◦ State special revenue increases for: <ul style="list-style-type: none"> ▪ A present law adjustment for a seed-to-sale industry IT regulatory system in the Cannabis Control Division ▪ Postage and printing costs for cannabis licensure and permits in the Information Management and Collections Division ◦ General fund increases to: <ul style="list-style-type: none"> ▪ Re-establish funding for SB 212 ▪ Out-of-State Debt Collections for existing and new contracted services ▪ Fund a contracted financial manager of unclaimed property securities ▪ Overtime payments for the implementation of the new GenTax upgrade in the Technology Services Division ▪ Increases in rent, parking, and technology costs ◦ Proprietary fund increases in the Alcoholic Beverage Control Division for: <ul style="list-style-type: none"> ▪ Increased operating costs ▪ Overtime and termination payouts ◦ The executive proposal includes the establishment of 6.80 new FTE and a transfer of 1.50 FTE in the Director's Office, Alcoholic Beverage Control Division, Cannabis Control Division, Technology Services Division, Business and Income Taxes Division, and Property Assessment Division

Agency Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	661.17	661.17	669.72	669.72
Personal Services	47,205,094	47,307,960	50,463,401	52,146,896	52,345,125
Operating Expenses	16,091,622	16,602,252	15,689,920	18,654,599	19,205,123
Equipment & Intangible Assets	3,148,157	3,148,157	30,554	30,554	30,554
Capital Outlay	55,691	55,691	0	0	0
Transfers	0	1,500	1,500	1,500	1,500
Debt Service	1,129,809	1,130,120	1,162,636	1,162,636	1,162,636
Total Expenditures	\$67,630,373	\$68,245,680	\$67,348,011	\$71,996,185	\$72,744,938
General Fund	55,845,978	56,332,879	58,192,575	61,017,761	61,234,930
State/Other Special Rev. Funds	7,920,025	7,924,070	5,129,637	6,460,682	6,982,794
Federal Spec. Rev. Funds	279,826	279,825	279,839	501,688	501,848
Proprietary Funds	3,584,544	3,708,906	3,745,960	4,016,054	4,025,366
Total Funds	\$67,630,373	\$68,245,680	\$67,348,011	\$71,996,185	\$72,744,938
Total Ongoing	\$67,580,815	\$68,120,771	\$67,223,011	\$71,761,185	\$72,609,938
Total OTO	\$49,558	\$124,909	\$125,000	\$235,000	\$135,000

Agency Discussion

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Department of Revenue's HB 2 budget is primarily funded with general fund and small portions in state special revenue, proprietary, and federal special revenue. The HB 2 modified budget of approximately \$68.2 million was 99.1% expended at the 2022 fiscal year end.

FY 2022 Appropriations Compared to FY 2023 Appropriations

FY 2023 appropriation authority is approximately \$898,000 or 1.3% less than the FY 2022 appropriation authority. FY 2022 required \$3.0 million in state special revenue for the configuration of the GenTax system to include recreational marijuana. Other differences between FY 2022 and FY 2023 appropriations are primarily due to program transfers and operating plan changes, which are detailed in the various division's sections of this report.

Comparison of FY 2023 Legislative Budget to FY 2023 Base

The figure below illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the FY 2023 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2025 biennium budgeting process.

Department of Revenue				
Comparison of the FY 2023 Legislative Budget to the FY 2023 Base Budget				
	Legislative Budget	Executive Modification per Statutory Authority	Executive Base Budget	% Change from Legislative Action
Director's Office				
Personal Services	6,673,147	(896,008)	5,777,139	-13.4%
Operating Expenses	2,271,634	(19,048)	2,252,586	-0.8%
Transfers	1,500		1,500	0.0%
Debt Service	10,413		10,413	0.0%
Director's Office Total	8,956,694	(915,056)	8,041,638	-10.2%
Technology Services Division				
Personal Services	3,280,334	817,203	4,097,537	24.9%
Operating Expenses	5,194,731	202,768	5,397,499	3.9%
Equipment & Intangible Assets	185,529	(185,529)	0	-100.0%
Technology Services Division Total	8,660,594	834,442	9,495,036	9.6%
Alcoholic Beverage Control Division				
Personal Services	2,549,548	(1,828)	2,547,720	-0.1%
Operating Expenses	579,394		579,394	0.0%
Equipment & Intangible Assets	30,554		30,554	0.0%
Debt Service	35,275		35,275	0.0%
Alcoholic Beverage Control Division Total	3,194,771	(1,828)	3,192,943	-0.1%
Cannabis Control Division				
Personal Services	2,928,185		2,928,185	0.0%
Operating Expenses	805,644		805,644	0.0%
Cannabis Control Division Total	3,733,829		3,733,829	0.0%
Information Management & Collections Division				
Personal Services	4,699,682	(36,049)	4,663,633	-0.8%
Operating Expenses	2,064,665	(252,514)	1,812,151	-12.2%
Debt Service	3,741	252,514	256,255	6749.9%
Information Management & Collections Division Total	6,768,088	(36,049)	6,732,039	-0.5%
Business & Income Tax Division				
Personal Services	10,784,472	(579,384)	10,205,088	-5.4%
Operating Expenses	1,806,414	(13,568)	1,792,847	-0.8%
Debt Service	7,558		7,558	0.0%
Business & Income Tax Division Total	12,598,444	(592,951)	12,005,492	-4.7%
Property Assessment Division				
Personal Services	19,423,034	696,066	20,119,099	3.6%
Operating Expenses	3,867,315	(817,516)	3,049,799	-21.1%
Debt Service	20,242	832,893	853,135	4114.7%
Property Assessment Division Total	23,310,591	711,442	24,022,033	3.1%
Department of Revenue Total	67,223,011	(0)	67,223,011	0.0%

In addition to HB 2 and HB 13, the 2021 Legislature passed the following legislation that is included in the Department of Revenue's legislative base budget for the 2025 biennium (modifications to these bills are included in the legislative budget and are not considered executive modifications):

- HB701 for the implementation of recreational marijuana which created the Cannabis Control Division and various other positions throughout the Department of Revenue
- HB 279 which revised laws related to the Tax Credit Scholarship Program and the Innovative Educational Program
- SB 51 exempted certain fiber optic or coaxial cable from property taxation
- HB 298 revised information that must be included on a property valuation statement
- SB 126 revised property valuation appeal laws for residential property

Executive modifications, per statutory authority, to the legislative budget include various program transfers and two reorganizations (explained in further detail in the personal services section of this narrative) that grouped all like function positions into the same divisions. There were also operating expense transfers to debt service to correctly record office space lease expenses due to changes in accounting requirements from the Governmental Accounting Standards Board (GASB) 87. These modifications led to a 0.0% net change between the Department of Revenue's legislative budget to their executive budget.

Executive Request

The executive proposes an increase above the FY 2023 base of approximately \$4.6 million in FY 2024 and \$5.4 million in FY 2025. These increases are primarily in general fund and state special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation.

These requests will be discussed in further detail at the program level.

5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2025 biennium 5.0% plan, submitted by the agency, is in the budget analysis appendix. The 5.0% plan includes reductions in the Directors Office, Technology Services Division, Information Management and Collections Division, Business and Income Taxes Division, and Property Assessment Division totaling \$2.8 million in general fund and approximately \$50,000 in state special revenue. The agency's 5.0% plan includes reductions in budgeted personal services and operating expenses. The largest savings is in the Property Assessment Division of approximately \$1.2 million in general fund by reducing personal service costs equivalent to 17.00 FTE.

Right to Know Requests

The Department of Revenue estimates that the agency's cost to address right to know requests in FY 2022 totaled approximately \$7,326, with the following division breakdown:

- Cannabis Control Division
 - 4.5 hours, lawyer cost is approximately \$282
 - 120 hours, various staff cost is approximately \$3,960
- Security Office
 - 20 hours on Freedom of Information Act (FOIA) requests, cost is approximately \$1,210
- Tax Policy and Research Office
 - 5.5 hours Property tax information, cost is approximately \$254
- Property Assessment
 - 2 hours, cost approximately \$178
- Legal
 - Legal Services Office spent approximately 24 hours (attorney) dealing with "right to know" issues in FY21-22, cost is approximately \$1,442

The Department of Revenue estimates collections from entities requesting public right to know information totaled \$346 from a Security Office FOIA request and \$186 from Tax Policy Research.

Agency Goals and Objectives

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal funding to or from other expenditure category (e.g., moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Statewide Present Law Adjustment for Personal Services FY 2024 Decision Package 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Decision Package 1
01 Directors Office	(54,063)	142,773	107,708	196,418
02 Technology Services Division	(35,597)	(17,587)	(1,828)	(55,012)
03 Alcoholic Beverage Control Div	(15,882)	(24,740)	1,828	(38,794)
04 Cannabis Control Division	(143,078)	(77,650)		(220,728)
05 Information Management & Collections	68,089	(22,398)		45,691
07 Business & Income Taxes Div	(10,783)	162,678	111,523	263,418
08 Property Assessment Division	303,048	267,103		570,151
Grand Total	111,734	430,179	219,231	761,144

Personal services were \$50.5 million or 74.9% of total FY 2023 appropriations. During the 2023 biennium the Department of Revenue issued career ladder, promotion, and retention pay increases. These pay increases were primarily issued to address high employee turnover, particularly in the Property Assessment Division. During FY 2022, the agency had 71 employees leave state employment, 23 retire, and 12 transfer to other agencies. Additionally, as of August 1, 2022 the agency had 55.40 FTE or 8.5% vacant.

During the 2023 biennium, the agency made reorganizations and program transfers that grouped like function positions into the same programs. Reorganizations include:

- Moving 7.00 FTE from the Director’s Office and 2.00 FTE from the Information Management and Collections Division to the Technology Services Division. This moved the enterprise planning unit, security office, and e-services unit into the Technology Services Division so all IT functions would be housed under one division
- Moving 6.50 FTE from the Business and Income Taxes Division to the Property Assessment Division. These FTE are all industrial appraisers and were transferred so that all appraiser positions would be housed in one division

Funding

The following table shows proposed agency funding for all sources of authority.

Total Department of Revenue Funding by Source of Authority 2025 Biennium Budget Request - Department of Revenue						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	122,152,691	100,000	0	321,722,451	443,975,142	70.00 %
State Special Total	13,443,476	0	0	167,187,332	180,630,808	28.48 %
Federal Special Total	1,003,536	0	0	0	1,003,536	0.16 %
Proprietary Total	7,771,420	270,000	596,116	0	8,637,536	1.36 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$144,371,123	\$370,000	\$596,116	\$488,909,783	\$634,247,022	
Percent - Total All Sources	22.76 %	0.06 %	0.09 %	77.09 %		

HB 2 Authority

General Fund

The Department of Revenue is primarily funded with general fund, which is 70.0% of total appropriation authority for the 2025 biennium.

State Special Revenue

State special revenue accounts for 28.5% of total appropriation authority and supports:

- Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- Appraisal, assessment, and taxation processes
- Administration of the unclaimed property program
- Administration of the medical and recreational marijuana tax and licensing

Federal Special Revenue

Federal special revenue accounts for 0.2% of total funds and supports federal mineral royalty audits.

Proprietary

Proprietary funds are 1.4% of total appropriation authority and support the operation of the Alcoholic Beverage Control Division and other divisions that support alcoholic beverage control functions or the staff of the Alcoholic Beverage Control Division.

Non-Budgeted Proprietary Funding

The Department of Revenue has one non-budgeted proprietary fund for the collection of delinquent accounts. This fund will be discussed in more detail at the program level.

Statutory Authority

The agency also includes two large general fund statutory appropriations. The Director's Office manages a pass-through general fund appropriation for the state entitlement share and is responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments. These statutory appropriations are described in more detail at the program level.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	58,192,575	58,192,575	116,385,150	95.20 %	67,223,011	67,223,011	134,446,022	92.89 %
SWPL Adjustments	2,459,942	2,741,095	5,201,037	4.25 %	2,390,582	2,715,406	5,105,988	3.53 %
PL Adjustments	237,773	273,789	511,562	0.42 %	1,600,841	2,133,174	3,734,015	2.58 %
New Proposals	127,471	27,471	154,942	0.13 %	781,751	673,347	1,455,098	1.01 %
Total Budget	\$61,017,761	\$61,234,930	\$122,252,691		\$71,996,185	\$72,744,938	\$144,741,123	

HB 2 Language -

The following language is requested in HB 2:

"Alcoholic Beverage Control Division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts are from the liquor enterprise fund to the department in the amounts not to exceed \$220 million in fiscal year 2024 and \$220 million in fiscal year 2025. These costs are used to maintain adequate inventories necessary to meet statutory requirements, to pay freight costs, and to transfer profits and taxes to appropriate accounts."

"The department is appropriated \$2 million in the general fund each year of the 2025 biennium for payments to local governing bodies to 15-1-402(6)(d), MCA. Local governments may request partial reimbursement of protested taxes from the general fund if the final assessed value of a centrally assessed or industrial property is reduced less than 75% of the initial assessed value after resolution of an appeal."

"Pursuant to 16-12-111, MCA, the Cannabis Control Division is appropriated an amount not to exceed \$81.0 million in fiscal year 2024 and \$91.1 million in fiscal year 2025 for transfers of cannabis revenue to other state special revenue funds and the general fund."

**LFD
COMMENT**

The Legislative Fiscal Division projects lower revenue estimates of \$50.2 million in FY 2024 and \$57.3 million in FY 2025 compared to the executive estimates. The executive forecasts that revenues will experience an additional growth factor leading to much higher revenues in the coming fiscal years. These estimates are based on growth factors for other states that legalized recreational marijuana around ten years ago. The LFD has chosen to use only the most recent Montana data in the forecast and has not seen evidence that Montana will experience the same growth factors.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	11,304,776	12,171,097	866,321	7.66 %
Operating Expenses	4,055,132	4,562,608	507,476	12.51 %
Transfers	3,000	3,000	0	0.00 %
Debt Service	10,413	20,826	10,413	100.00 %
Total Expenditures	\$15,373,321	\$16,757,531	\$1,384,210	9.00 %
General Fund	14,353,432	15,715,216	1,361,784	9.49 %
State/Other Special Rev. Funds	708,985	730,473	21,488	3.03 %
Proprietary Funds	310,904	311,842	938	0.30 %
Total Funds	\$15,373,321	\$16,757,531	\$1,384,210	9.00 %
Total Ongoing	\$15,373,321	\$16,757,531	\$1,384,210	9.00 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Director’s Office (DO) supports the agency's director and is comprised of the following offices:

- The Financial Services Office manages the department’s centralized accounting, budgeting, and asset management functions
- The Citizen Outreach Office communicates with internal and external stakeholders and is responsible for media relations, digital communications, design and branding, public education and outreach, and training and employee development. In addition, this office oversees the department’s call center, e-Stop business licensing and unclaimed property distribution
- The Taxpayer Advocate works independently from the department’s divisions to ensure citizens have an impartial advocate to hear their concerns and questions
- The Executive Office provides administrative support services for the work units within the Director’s Office
- The Human Resources Office manages organization and workforce development, policy and practice interpretation, employee and labor relations, staffing, employment law, performance reviews, and compensation
- The Legal Services Office supervises the overall legal efforts of the department, including rules, policies, and bankruptcy
- The Office of Dispute Resolution independently hears and/or mediates cases between the department and taxpayers, liquor licensees, and other members of the public. The office provides an accessible, cost-effective means for taxpayers and licensees to appeal agency determinations or proposed department actions
- The Procurement, Contracts, and Facilities Office manages the planning, procurement, contract negotiation, creation, and execution, performance measurement, contract resolution and invoice verification for the department
- The Tax Policy and Research Office provides accurate and timely information for the Governor, the Legislature, and Montana citizens. This includes the compilation of basic tax data and the publication of the statutory Biennial Report

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The Director's Office 2025 biennium requested appropriations are approximately \$1.4 million or 9.0% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases in general fund to re-establish funding for SB 212 ◦ A transfer of general fund between expenditure categories to establish 1.00 FTE to carry out tax policy implementation

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	64.19	64.19	65.19	65.19
Personal Services	5,519,786	5,527,637	5,777,139	6,068,283	6,102,814
Operating Expenses	1,487,317	1,802,546	2,252,586	2,378,472	2,184,136
Transfers	0	1,500	1,500	1,500	1,500
Debt Service	0	0	10,413	10,413	10,413
Total Expenditures	\$7,007,103	\$7,331,683	\$8,041,638	\$8,458,668	\$8,298,863
General Fund	6,499,077	6,823,607	7,529,825	7,937,924	7,777,292
State/Other Special Rev. Funds	352,574	352,624	356,361	364,823	365,650
Proprietary Funds	155,452	155,452	155,452	155,921	155,921
Total Funds	\$7,007,103	\$7,331,683	\$8,041,638	\$8,458,668	\$8,298,863
Total Ongoing	\$7,007,103	\$7,331,683	\$8,041,638	\$8,458,668	\$8,298,863
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Director's Office expended approximately \$7.0 million or 95.6% of their \$7.3 million HB 2 modified budget for FY 2022. Personal services were 99.9% expended and operating expenses were 82.5% expended. Operating expenses included a biennial appropriation for a legislative audit. Authority for this audit went largely unspent in FY 2022, but the agency anticipates expending all of these funds in FY 2023.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Director's Office FY 2023 appropriation authority is approximately \$710,000 greater than the FY 2022 appropriation authority. The increase is primarily in operating expenses. In FY 2022, the agency transferred operating expense authority between other agencies and expenditure categories to help fund a personal services deficit in the Property Assessment Division. Additionally, the FY 2023 personal services appropriation authority is greater than that of FY 2022 primarily due to projected present law increases.

Executive Request

The Director’s Office is requesting an increase of approximately \$417,000 in FY 2024 and \$257,000 in FY 2025 above the FY 2023 base appropriations. This increase is primarily due to present law adjustments for personal services, fixed costs, and inflation.

LFD COMMENT During the 2021 Legislative Session, the legislature passed SB 212, which requires the Department of Revenue to publish reappraisal information to taxpayers annually. The funding for this bill was not included in the FY 2023 base budget. To continue to meet this bill's requirements the executive is requesting to reestablish the funding through DP 212. This DP will be discussed in further detail in the present law adjustments section of this narrative.

Program Personal Services Narrative

The Directors Office has 64.19 permanent HB 2 FTE. As of August 1, 2022, the division had 6.00 FTE vacant. During FY 2022, the division had five employees transfer to different agencies, four retire, and three leave state employment.

Personal services were \$5.8 million or 71.8% of the total FY 2023 appropriations. The executive proposes a present law adjustment increase of approximately \$196,000 in FY 2024 and \$231,000 in FY 2025. During FY 2022, management issued pay raises including promotions and retention adjustments that increased employees pay. However, the agency also experienced employee turnover which resulted in a decreased budget for longevity pay.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Revenue, 01-Directors Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	15,715,216	0	0	321,722,451	337,437,667	66.75 %	
02008 Tobacco And Cig. Tribal Agree.	0	0	0	8,054,000	8,054,000	4.80 %	
02025 Unclaimed Property	295,340	0	0	0	295,340	0.18 %	
02083 Oil & Gas Local Assistance	0	0	0	18,200,000	18,200,000	10.85 %	
02088 SSR Administrative Funds	35,140	0	0	0	35,140	0.02 %	
02168 MT Oil Production Tax	0	0	0	135,469,000	135,469,000	80.76 %	
02169 Bentonite Production Tax	0	0	0	1,300,000	1,300,000	0.78 %	
02511 Oil and Gas Natural Resource	0	0	0	1,700,000	1,700,000	1.01 %	
02790 6901-Statewide Tobacco Sttlmnt	85,324	0	0	0	85,324	0.05 %	
02966 Tribal Agreement - Alcohol	0	0	0	1,984,000	1,984,000	1.18 %	
02442 Cannabis	314,669	0	0	0	314,669	0.19 %	
02011 Tribal Agreement-Cannabis	0	0	0	300,000	300,000	0.18 %	
State Special Total	\$730,473	\$0	\$0	\$167,007,000	\$167,737,473	33.18 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	311,842	0	0	0	311,842	100.00 %	
Proprietary Total	\$311,842	\$0	\$0	\$0	\$311,842	0.06 %	
Total All Funds	\$16,757,531	\$0	\$0	\$488,729,451	\$505,486,982		

HB 2 Authority

General Fund

The majority of the Director’s Office HB 2 authority comes from general fund. General fund supports staff salary and benefit expenditures as well as operational expenses.

State Special Revenue

State special revenue funds the unclaimed property fund, administrative funds, statewide tobacco settlement fund, and the cannabis fund. The unclaimed property fund supports the Department of Revenue's operations around unclaimed property, which the agency holds indefinitely for owners to claim. Further explanation for the unclaimed property fund is done in the Business and Income Taxes Division section of this document. The tobacco settlement fund supports the dedicated attorney who supports tobacco tax compliance activities. The cannabis fund was established during the 2021 Legislative Session and is used for attorney costs in the Director's Office.

Proprietary Funding

Proprietary funding results from a direct appropriation of the Alcoholic Beverage Control Division proprietary fund and is for the Alcoholic Beverage Control Division share of Director's Office support costs. The allocation is calculated as a percentage of the program's budget. Alcoholic Beverage Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

*Statutory Funding*General Fund

Funding for the Director's Office also includes two general fund statutory appropriations. The largest of the statutory appropriations is a pass-through general fund appropriation for the state entitlement shares, as provided in 15-1-121, MCA. This distribution resulted from HB 124 in the 2001 Legislative Session, which reallocated revenue received by local governments, school districts, and some state special revenue accounts (from alcohol, vehicle, and gambling taxes as well as district court fees for local governments) to the general fund and replaced foregone revenue with permanent state entitlement grants to counties and cities. A second general fund statutory appropriation included in the Director's Office is a direct use by the department for out of state debt collection services as provided for in 15-1-218, MCA.

State Special Revenue

The Director's Office is responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments, including the following:

- Tribal alcohol and cigarette cooperative agreement (18-11-101 through 18-11-121, MCA) - The State of Montana has taxation agreements with tribal nations for alcohol and cigarette sales to prevent possibilities of dual taxation while promoting state, local and tribal economic development
- Oil and natural gas production tax (15-36-331 through 15-36-332, MCA) - All oil and natural gas producers are required to file an oil and natural gas production tax quarterly return where they will be taxed on the gross value of oil or natural gas sold. Local governments receive a portion of this revenue. Additionally, local governments distribute the revenue to various school retirement funds, countywide transportation funds, school districts, and community colleges
- Metal mines distribution (15-37-117, MCA) - Individuals who operate any mine or mining property are required to pay a license tax which is based on the gross value of production. A portion of this revenue is distributed semi-annually to local governments where the mine is located or a county that is experiencing fiscal impacts from the mine
- Bentonite production tax distribution (15-39-110, MCA) - All bentonite producers must file a bentonite production tax return every six months. Revenue is distributed semi-annually to local governments where the production occurred: Carter County and Carbon County

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	7,529,825	7,529,825	15,059,650	95.83 %	8,041,638	8,041,638	16,083,276	95.98 %
SWPL Adjustments	392,628	231,996	624,624	3.97 %	401,559	241,754	643,313	3.84 %
PL Adjustments	12,500	12,500	25,000	0.16 %	12,500	12,500	25,000	0.15 %
New Proposals	2,971	2,971	5,942	0.04 %	2,971	2,971	5,942	0.04 %
Total Budget	\$7,937,924	\$7,777,292	\$15,715,216		\$8,458,668	\$8,298,863	\$16,757,531	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	191,704	4,714	0	196,418	0.00	225,339	5,541	0	230,880
DP 2 - Fixed Costs	0.00	109,514	27	0	109,541	0.00	(96,107)	27	0	(96,080)
DP 3 - Inflation Deflation	0.00	91,410	3,721	0	95,600	0.00	102,764	3,721	0	106,954
DP 26 - SB212 Funding to Publish Reappraisal Information to Taxpayers	0.00	12,500	0	0	12,500	0.00	12,500	0	0	12,500
Grand Total All Present Law Adjustments	0.00	\$405,128	\$8,462	\$0	\$414,059	0.00	\$244,496	\$9,289	\$0	\$254,254

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 26 - SB212 Funding to Publish Reappraisal Information to Taxpayers -

The executive requests to re-establish biennial general fund appropriation authority of \$25,000 for the 2025 biennium for the passage of SB 212 in the 2021 Legislative Session. SB 212 requires the department to publish reappraisal information to taxpayers. This funding will allow the agency to continue to meet this requirement.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 14 - Tax Policy Implementation FTE for DO	1.00	0	0	0	0	1.00	0	0	0	0
DP 99 - New Fixed Costs	0.00	2,971	0	0	2,971	0.00	2,971	0	0	2,971
Total	1.00	\$2,971	\$0	\$0	\$2,971	1.00	\$2,971	\$0	\$0	\$2,971

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 14 - Tax Policy Implementation FTE for DO -

The executive requests 1.00 FTE in the 2025 biennium to carry out tax policy legislation implementation. This change package was adopted during the 2021 Legislative Session but was adopted as operating expenses. This change package transfers \$95,000 from operating expenses to personal services and establishes 1.00 permanent HB 2 FTE.

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$2,193 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	7,975,869	8,402,670	426,801	5.35 %
Operating Expenses	11,152,485	12,441,925	1,289,440	11.56 %
Equipment & Intangible Assets	3,005,270	0	(3,005,270)	(100.00)%
Total Expenditures	\$22,133,624	\$20,844,595	(\$1,289,029)	(5.82)%
General Fund	18,294,030	19,971,951	1,677,921	9.17 %
State/Other Special Rev. Funds	3,327,710	335,866	(2,991,844)	(89.91)%
Proprietary Funds	511,884	536,778	24,894	4.86 %
Total Funds	\$22,133,624	\$20,844,595	(\$1,289,029)	(5.82)%
Total Ongoing	\$22,133,624	\$20,744,595	(\$1,389,029)	(6.28)%
Total OTO	\$0	\$100,000	\$100,000	100.00 %

Program Description

The Technology Services Division (TSD) serves as the technological foundation for the department’s business units, leveraging IT systems and services to increase internal business operations efficiencies and optimize citizen services. The TSD operates through the following offices:

- The Applications Development Services Bureau provides program development support services for the department’s numerous applications and external facing systems provided to Montana’s property owners, businesses, and citizens
- The Technology Operations Services Bureau provides server and workstation support and training for department hardware and software systems
- The Project Facilitation and Analysis Services Unit manages projects to improve agency operations and ensure critical enterprise functions are accomplished with more efficiency, higher quality, and lower costs
- The Security Office serves as the department liaison with the Internal Revenue Service (IRS) and is responsible for the security of all taxpayer information

Program Highlights

Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The Technology Services Division’s 2025 biennium requested appropriations are approximately \$1.3 million or 5.8% lower than the 2023 biennium • This biennial decrease is due to a one-time-only \$3.0 million increase in equipment and intangible assets in FY 2022 for the GenTax system to incorporate recreational marijuana taxation that was not included in FY 2023 • The executive proposal includes: <ul style="list-style-type: none"> ◦ An increase in general fund to establish 1.30 FTE for intern positions related to the computer replacement cycle and Information Technology Help Desk ◦ A restricted, biennial, one-time-only appropriation for overtime payments to implement the new GenTax upgrade
Legislative Action Items
<ul style="list-style-type: none"> • The executive has proposed a present law adjustment to establish new FTE. The legislature may wish to consider this proposal as a new proposal

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	42.00	42.00	43.30	43.30
Personal Services	3,877,041	3,878,332	4,097,537	4,236,739	4,165,931
Operating Expenses	5,753,985	5,754,986	5,397,499	6,146,475	6,295,450
Equipment & Intangible Assets	3,005,270	3,005,270	0	0	0
Total Expenditures	\$12,636,296	\$12,638,588	\$9,495,036	\$10,383,214	\$10,461,381
General Fund	9,216,499	9,218,791	9,075,239	9,946,892	10,025,059
State/Other Special Rev. Funds	3,163,855	3,163,855	163,855	167,933	167,933
Proprietary Funds	255,942	255,942	255,942	268,389	268,389
Total Funds	\$12,636,296	\$12,638,588	\$9,495,036	\$10,383,214	\$10,461,381
Total Ongoing	\$12,636,296	\$12,638,588	\$9,495,036	\$10,283,214	\$10,461,381
Total OTO	\$0	\$0	\$0	\$100,000	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Technology Services Division expended approximately 100.0% of their \$12.6 million HB 2 modified budget for FY 2022.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Technology Services Division's FY 2023 appropriation authority is approximately \$3.1 million less than the FY 2022 appropriation authority. The FY 2022 appropriation authority included \$3.0 million in equipment and intangible asset expenditures for the update and configuration of the GenTax system to incorporate recreational marijuana taxation, as well as the administration of the local option taxes and license types.

Executive Request

The Technology Services Division is requesting an increase of approximately \$888,000 in FY 2024 and \$966,000 in FY 2025 above the FY 2023 base appropriations. Over half of this proposed increase is attributed to present law inflationary increases, with the remainder being for present law fixed cost increases, additional FTE for intern positions, and overtime funding.

Program Personal Services Narrative

The Technology Services Division has 42.00 permanent HB 2 FTE. As of August 1, 2022, the division had 2.00 FTE vacant. In FY 2022, the division had five employees leave state employment.

Personal services were \$4.1 million or 43.2% of the total FY 2023 appropriations. The executive proposes a present law adjustment decrease of approximately \$55,000 in FY 2024 and \$26,000 in FY 2025. During the 2023 biennium, the Technology Services Division experienced employee turnover and, in aggregate, those positions were refilled at lower wages resulting in a decreased salary budget.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Revenue, 02-Technology Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	19,871,951	100,000	0	0	19,971,951	95.81 %	
02790 6901-Statewide Tobacco Sttlmnt	175,866	0	0	0	175,866	52.36 %	
02442 Cannabis	160,000	0	0	0	160,000	47.64 %	
State Special Total	\$335,866	\$0	\$0	\$0	\$335,866	1.61 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	536,778	0	0	0	536,778	100.00 %	
Proprietary Total	\$536,778	\$0	\$0	\$0	\$536,778	2.58 %	
Total All Funds	\$20,744,595	\$100,000	\$0	\$0	\$20,844,595		

HB 2 Authority

General Fund

The Technology Services Division is primarily funded from the general fund, which is used to support technology requirements and business operations.

State Special Revenue

The Technology Services Division receives state special revenue appropriations from the tobacco settlement and cannabis funds for technology support provided to the Business Income Taxes Division.

Proprietary Funding

Appropriations from the Liquor Enterprise fund supports technology services for the Alcoholic Beverage Control Division.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	9,075,239	9,075,239	18,150,478	90.88 %	9,495,036	9,495,036	18,990,072	91.10 %
SWPL Adjustments	661,015	842,815	1,503,830	7.53 %	677,540	859,340	1,536,880	7.37 %
PL Adjustments	108,724	105,091	213,815	1.07 %	108,724	105,091	213,815	1.03 %
New Proposals	101,914	1,914	103,828	0.52 %	101,914	1,914	103,828	0.50 %
Total Budget	\$9,946,892	\$10,025,059	\$19,971,951		\$10,383,214	\$10,461,381	\$20,844,595	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(55,012)	0	0	(55,012)	0.00	(25,889)	0	0	(25,889)
DP 2 - Fixed Costs	0.00	155,496	0	0	155,496	0.00	163,047	0	0	163,047
DP 3 - Inflation Deflation	0.00	560,531	4,078	0	577,056	0.00	705,657	4,078	0	722,182
DP 22 - TSD Intern Staffing - 1.3 Aggregate FTE	1.30	108,724	0	0	108,724	1.30	105,091	0	0	105,091
Grand Total All Present Law Adjustments	1.30	\$769,739	\$4,078	\$0	\$786,264	1.30	\$947,906	\$4,078	\$0	\$964,431

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 22 - TSD Intern Staffing - 1.3 Aggregate FTE -

The executive requests an increase in general fund appropriation authority to establish 1.30 FTE for intern positions. This FTE will be an aggregate position to recruit college students to perform various tasks associated with computer replacement cycle and the department’s Information Technology Help Desk.

**LFD
ISSUE**

This change package establishes new FTE for a new intern position. Establishing new FTE is generally considered a new proposal rather than a present law adjustment. The legislature may wish to consider this proposal as a new proposal.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 13 - TSD Staff overtime for GenTax upgrade (RST/BIEN/OTO)	0.00	100,000	0	0	100,000	0.00	0	0	0	0
DP 99 - New Fixed Costs	0.00	1,914	0	0	1,914	0.00	1,914	0	0	1,914
Total	0.00	\$101,914	\$0	\$0	\$101,914	0.00	\$1,914	\$0	\$0	\$1,914

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 13 - TSD Staff overtime for GenTax upgrade (RST/BIEN/OTO) -

The executive requests a restricted, biennial, one-time-only general fund appropriation for the 2025 biennium for overtime payments related to the GenTax upgrade. FAST Enterprises, the state’s tax processing software (GenTax) vendor, requires the department to upgrade to the newest version of GenTax every other biennium. Typically, the department’s information technology staff work overtime hours in order to move this upgrade to production. Also, FAST Enterprises create periodic service packs that require the department’s information technology staff to work overtime hours.

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$1,413 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	5,246,075	5,605,270	359,195	6.85 %
Operating Expenses	1,163,327	1,244,997	81,670	7.02 %
Equipment & Intangible Assets	122,676	61,108	(61,568)	(50.19)%
Debt Service	66,754	70,550	3,796	5.69 %
Total Expenditures	\$6,598,832	\$6,981,925	\$383,093	5.81 %
Proprietary Funds	6,598,832	6,981,925	383,093	5.81 %
Total Funds	\$6,598,832	\$6,981,925	\$383,093	5.81 %
Total Ongoing	\$6,348,923	\$6,711,925	\$363,002	5.72 %
Total OTO	\$249,909	\$270,000	\$20,091	8.04 %

Program Description

The Alcoholic Beverage Control Division (ABCD) provides effective and efficient administration of the Montana alcoholic beverage code with an emphasis on customer service and public safety.

- The Licensing and Compliance Bureau protects the welfare and safety of the public by regulating alcoholic beverage licensing laws in a uniform and fair manner
- The Liquor Distribution Bureau maintains a regulated channel of distribution to fulfill the public’s demand for distilled spirits and fortified wine through agency liquor stores

Program Highlights

Alcoholic Beverage Control Division Major Budget Highlights
<ul style="list-style-type: none"> • The Alcoholic Beverage Control Division’s 2025 biennium requested appropriations are approximately \$339,000 or 5.1% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ An increase in proprietary authority for increased operating costs due to higher sales and contracted janitorial services ◦ An increase in restricted, biennial, one-time-only proprietary authority for overtime and termination payouts ◦ 2.00 additional FTE and corresponding funding for a workload increase

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	31.75	31.75	34.00	34.00
Personal Services	2,488,244	2,573,355	2,672,720	2,795,290	2,809,980
Operating Expenses	544,993	583,933	579,394	623,792	621,205
Equipment & Intangible Assets	92,122	92,122	30,554	30,554	30,554
Debt Service	31,168	31,479	35,275	35,275	35,275
Total Expenditures	\$3,156,527	\$3,280,889	\$3,317,943	\$3,484,911	\$3,497,014
Proprietary Funds	3,156,527	3,280,889	3,317,943	3,484,911	3,497,014
Total Funds	\$3,156,527	\$3,280,889	\$3,317,943	\$3,484,911	\$3,497,014
Total Ongoing	\$3,106,969	\$3,155,980	\$3,192,943	\$3,349,911	\$3,362,014
Total OTO	\$49,558	\$124,909	\$125,000	\$135,000	\$135,000

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Alcoholic Beverage Control Division expended approximately 96.2% of their \$3.3 million HB 2 modified budget for FY 2022. Personal services were 96.7% expended and operating expenses were 93.3% expended. The 2021 Legislature provided the Alcoholic Beverage Control Division with approximately \$125,000 in one-time-only personal services funding for overtime and retirement costs. In FY 2022, the division expended approximately \$50,000 of this authority. Lower expenditures were due to the division receiving COVID-19 funds that were used to support temporary workers. Additionally, the division did not have any retirements in FY 2022 and has been utilizing more comp time hours rather than overtime payments.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Alcoholic Beverage Control Division's FY 2023 appropriation authority is approximately \$37,000 greater than the FY 2022 appropriation authority. In FY 2022, the division transferred personal service authority to equipment and intangible asset expenditure authority to allow the division to purchase new equipment. The slight increase in authority in FY 2023 is due to projected present law adjustments for personal services and operating costs.

Executive Request

The Alcoholic Beverage Control Division is requesting an increase of approximately \$145,000 in FY 2024 and \$157,000 in FY 2025 above the FY 2023 base appropriations. This increase is primarily due to a new proposal for additional FTE. This increase is due to new proposals for additional FTE, overtime and termination payouts, and new fixed costs, as well as a present law adjustment for an increase in authority due to the division's increasing workload. In the last several years, the division has seen an increase in alcohol demand, leading to an increase in services and workload costs.

LFD COMMENT	House Bill 3 Supplemental appropriations are being proposed in proprietary funds of \$152,000 for the Alcohol Beverage Control Division to maintain adequate inventories for the remainder of FY 2023. Any profits from liquor sales and license fee revenues are transferred to the general fund.
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Program Personal Services Narrative

The Alcoholic Beverage Control Division has 31.75 permanent HB 2 FTE. As of August 1, 2022, the division had 3.00 FTE vacant. During the 2022 FY, the division had three employees leave state employment, two retire, and one transfer to a new agency.

Personal services were \$2.7 million or 80.6% of the total FY 2023 appropriations. The executive proposes a present law adjustment decrease of approximately \$39,000 in FY 2024 and \$24,000 in FY 2025. During the 2023 biennium, the division experienced high turnover and hired new staff at lower wage rates, which resulted in a lower personal services budget needed for salaries and benefits.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Revenue, 03-Alcoholic Beverage Control Div Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
06005 Liquor Division	6,711,925	270,000	0	0	6,981,925	100.00 %
Proprietary Total	\$6,711,925	\$270,000	\$0	\$0	\$6,981,925	100.00 %
Total All Funds	\$6,711,925	\$270,000	\$0	\$0	\$6,981,925	

HB 2 Authority

Proprietary Funding

The division is funded with a direct appropriation of Alcoholic Beverage Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund. The table below provides further detail about the revenue and expenditures in the liquor division fund.

Department of Revenue Liquor Division Fund - 06005				
	Actual FY 2022	Estimated FY 2023	Proposed FY 2024	Proposed FY 2025
Beginning Balance	7,923,770	8,100,493	19,581,768	(19,694,786)
Revenue	182,138,592	186,618,202	186,618,202	186,618,202
Expenditures				
Department of Revenue				
Directors Office	155,452	155,452	155,921	155,921
Technology Services Division	255,942	255,942	268,389	268,389
Alcohol Beverage Control Division	180,300,495	173,317,943	223,499,263	223,509,600
Information Management & Collections Division	16,623	16,623	17,039	17,039
Business & Income Taxes Division	10	-	89,794	89,794
Total Department of Revenue Expenditures	180,728,522	173,745,960	224,030,406	224,040,743
Department of Justice				
Central Services Division	51,753	42,859	41,710	41,710
Gambling Control Division	1,181,594	1,348,108	1,822,640	1,829,574
Total Department of Justice Expenditures	1,233,347	1,390,967	1,864,350	1,871,284
Total Expenditures	181,961,869	175,136,927	225,894,756	225,912,027
Ending Fund Balance	8,100,493	19,581,768	(19,694,786)	(58,988,611)

The table above shows a growing negative fund balance for the liquor division fund. This is due to the inclusion of the proposed language appropriation in expenditures, which is greater than the estimated revenues. It should be noted that the division does not expend greater than the revenue received, thus a negative fund balance will not occur.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	3,192,943	3,192,943	6,385,886	91.46 %
SWPL Adjustments	0	0	0	0.00 %	(35,673)	(14,274)	(49,947)	(0.72)%
PL Adjustments	0	0	0	0.00 %	17,507	13,824	31,331	0.45 %
New Proposals	0	0	0	0.00 %	310,134	304,521	614,655	8.80 %
Total Budget	\$0	\$0	\$0		\$3,484,911	\$3,497,014	\$6,981,925	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide

Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(38,794)	0.00	0	0	0	(24,187)
DP 2 - Fixed Costs	0.00	0	0	0	(33,406)	0.00	0	0	0	(32,904)
DP 3 - Inflation Deflation	0.00	0	0	0	36,527	0.00	0	0	0	42,817
DP 7 - ABCD Liquor Warehouse Operating Cost Adjustment	0.00	0	0	0	17,507	0.00	0	0	0	13,824
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$18,166)	0.00	\$0	\$0	\$0	(\$450)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 7 - ABCD Liquor Warehouse Operating Cost Adjustment -

The executive requests additional authority to cover operating costs resulting from increased workload due to an increase in sales and increased cost of contracted janitorial services.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 15 - ABCD Overtime (RST/BIEN/OTO)	0.00	0	0	0	75,000	0.00	0	0	0	75,000
DP 16 - ABCD Termination Payout (RST/BIEN/OTO)	0.00	0	0	0	60,000	0.00	0	0	0	60,000
DP 18 - Liquor FTE for increased workload	2.25	0	0	0	173,688	2.25	0	0	0	168,075
DP 99 - New Fixed Costs	0.00	0	0	0	1,446	0.00	0	0	0	1,446
Total	2.25	\$0	\$0	\$0	\$310,134	2.25	\$0	\$0	\$0	\$304,521

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 15 - ABCD Overtime (RST/BIEN/OTO) -

The executive requests a restricted, biennial, one-time-only increase in proprietary fund authority for the 2025 biennium. These funds will pay for overtime and temporary staff to meet the increase in demand for liquor products especially during peak periods, holiday weeks, and to back-fill personnel while out on vacation or sick leave.

DP 16 - ABCD Termination Payout (RST/BIEN/OTO) -

The executive requests a restricted, biennial, one-time-only proprietary fund appropriation for the 2025 biennium. This request is to provide funds to payout accrued leave balances for employees retiring and/or leaving the department. This request allows the department to efficiently distribute alcoholic beverages to the agency liquor stores and comply with the statutory requirement of 16-2-101(12), MCA, requiring the department to maintain a 97.0% monthly service level to the agency stores. If the department is required to use additional vacancy savings to pay for the termination payouts, the department will not be able to meet this statutory requirement.

LFD COMMENT	The executive has proposed funding for overtime and termination payouts for at least the last three biennia. The previous legislature's provided funding for overtime and termination payouts as one-time-only. The purpose behind approving this funding as one-time-only is for the legislature to continue to monitor the overtime and termination payout need of the Alcoholic Beverage Control Division.
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DP 18 - Liquor FTE for increased workload -

The executive requests a proprietary fund appropriation in the 2025 biennium for additional staffing needs in the Alcohol Beverage Control Division (ABCD). Increased alcohol sales have resulted in an increase in the workload for the liquor warehouse and a corresponding increase in tax administration functions related to increased liquor sales. The Department of Revenue has maintained 31.75 FTE in the proprietary fund for several biennia. For the 2025 biennium, ABCD is requesting an additional 2.00 FTE.

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$1,068 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	5,062,235	5,757,611	695,376	13.74 %
Operating Expenses	2,229,874	4,751,457	2,521,583	113.08 %
Total Expenditures	\$7,292,109	\$10,509,068	\$3,216,959	44.12 %
State/Other Special Rev. Funds	7,292,109	10,509,068	3,216,959	44.12 %
Total Funds	\$7,292,109	\$10,509,068	\$3,216,959	44.12 %
Total Ongoing	\$7,292,109	\$10,509,068	\$3,216,959	44.12 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Cannabis Control Division (CCD) ensures the health and safety of all Montanans through fair administration, education, and enforcement of the Montana Marijuana Regulation and Taxation Act (MMRT).

- The Licensing Bureau is responsible for processing all worker, patient, business, and packing and labeling applications and renewals in a timely and efficient manner
- The Inspection/Compliance Bureau protects the welfare and safety of the public by regulating marijuana laws in a uniform and fair manner

Program Highlights

Cannabis Control Division Major Budget Highlights
<ul style="list-style-type: none"> • The Cannabis Control Division’s 2025 biennium requested appropriations are approximately \$3.2 million or 44.1% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ An increase in state special revenue for the seed-to-sale industry IT regulatory system ◦ A transfer of 1.50 FTE and associated funding from the Department of Health and Human Services in addition to a request of 0.50 new FTE for laboratory inspection and application review work for cannabis

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	32.00	32.00	34.00	34.00
Personal Services	2,133,227	2,134,050	2,928,185	2,867,950	2,889,661
Operating Expenses	1,424,091	1,424,230	805,644	2,124,538	2,626,919
Total Expenditures	\$3,557,318	\$3,558,280	\$3,733,829	\$4,992,488	\$5,516,580
State/Other Special Rev. Funds	3,557,318	3,558,280	3,733,829	4,992,488	5,516,580
Total Funds	\$3,557,318	\$3,558,280	\$3,733,829	\$4,992,488	\$5,516,580
Total Ongoing	\$3,557,318	\$3,558,280	\$3,733,829	\$4,992,488	\$5,516,580
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Cannabis Control Division expended approximately 100.0% of their \$3.6 million HB 2 modified budget for FY 2022. The majority of the divisions expenses was for personal services.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Cannabis Control Division's FY 2023 appropriation authority is approximately \$176,000 greater than the FY 2022 appropriation authority. The division was created under HB 701 during the 2021 Legislative Session. During FY 2022, authority was transferred between divisions and expenditure categories to appropriately record expenditures.

Executive Request

The executive is requesting an increase of approximately \$1.3 million in FY 2024 and \$1.8 million in FY 2025 above the FY 2023 base appropriations. This increase is driven by the division request for increased authority to pay its contractual obligations related to Metrc, the seed-to-sale industry regulatory system. This regulatory system will allow the Department of Revenue to track and pay for fees for cannabis licensees as they enter the market.

LFD COMMENT	House Bill 3 Upon passage of HB 701, the Department of Revenue became responsible for the computerized seed-to-sale tracking system, previously administered by the Department of Public Health and Human Services. Due to a miscommunication between the two agencies and the software vendor, the amount needed for this program was never built into the budget. Part of this supplemental appropriation provides funding in FY 2023 for this software. The other portion of this supplemental is for an increase in operational costs to purchase plant and packaging tags due to an unforeseen ramp up in demand. In total, supplemental appropriations are being proposed in state special revenue of \$1,761,711 from cannabis sales and license and cardholder fee revenue received in FY 2023.
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Program Personal Services Narrative

The Cannabis Control Division has 32.00 permanent HB 2 FTE. As of August 1, 2022, the division had 1.00 FTE vacant.

Personal services were \$2.9 million or 78.4% of the total FY 2023 appropriations. The executive proposes a present law adjustment decrease of approximately \$221,000 in FY 2024 and \$199,000 in FY 2025.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Revenue, 04-Cannabis Control Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.00 %
02442 Cannabis	10,509,068	0	0	0	10,509,068	100.00 %
State Special Total	\$10,509,068	\$0	\$0	\$0	\$10,509,068	100.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$10,509,068	\$0	\$0	\$0	\$10,509,068	

HB 2 Authority

State Special Revenue

The Cannabis Control Division is entirely funded with state special revenue generated from taxes collected on cannabis purchases as well as from fees for licensing and cardholder registration. The table below shows actual and estimated revenue and expenditures for the cannabis state special revenue fund.

Department of Revenue Cannabis Fund - 02442				
	Actual FY 2022	Estimated FY 2023	Proposed FY 2024	Proposed FY 2025
Beginning Balance	-	1,379,486	40,002,581	77,092,910
Revenue	36,641,271	42,962,000	42,962,000	42,962,000
Expenditures				
Department of Revenue				
Directors Office	148,421	152,207	236,723	234,745
Technology Services Division	3,155,147	80,000	174,410	171,623
Cannabis Control Division	31,671,033	3,733,829	4,790,571	5,314,823
Information Management & Collections Division	17,120	42,580	157,458	154,645
Business & Income Taxes Division	126,959	127,395	309,615	301,398
Total Department of Revenue Expenditures	35,118,680	4,136,011	5,668,777	6,177,234
Department of Public Health and Human Services				
Central Services Division	143,105	202,894	202,894	202,894
Total DPHHS Expenditures	143,105	202,894	202,894	202,894
Total Expenditures	35,261,785	4,338,905	5,871,671	6,380,128
Ending Fund Balance	1,379,486	40,002,581	77,092,910	113,674,782

The table above shows an increasing fund balance for the cannabis state special revenue fund. However, this table does not include the estimated non-budgeted transfer amounts for FY 2023 through FY 2025 which accounts for a significant portion of expenditure authority. The agency is requesting language appropriation authority for these non-budgeted transfers for the 2025 biennia. It should be noted that the division will only keep a 90-day working capital amount in the fund.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	3,733,829	3,733,829	7,467,658	71.06 %
SWPL Adjustments	0	0	0	0.00 %	(71,093)	(47,001)	(118,094)	(1.12)%
PL Adjustments	0	0	0	0.00 %	1,125,400	1,625,400	2,750,800	26.18 %
New Proposals	0	0	0	0.00 %	204,352	204,352	408,704	3.89 %
Total Budget	\$0	\$0	\$0		\$4,992,488	\$5,516,580	\$10,509,068	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2024				Fiscal 2025					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	(220,728)	0	(220,728)	0.00	0	(199,495)	0	(199,495)
DP 2 - Fixed Costs	0.00	0	145,702	0	145,702	0.00	0	146,459	0	146,459
DP 3 - Inflation Deflation	0.00	0	3,933	0	3,933	0.00	0	6,035	0	6,035
DP 5 - CCD Contract Increase (RST)	0.00	0	1,125,400	0	1,125,400	0.00	0	1,625,400	0	1,625,400
Grand Total All Present Law Adjustments	0.00	\$0	\$1,054,307	\$0	\$1,054,307	0.00	\$0	\$1,578,399	\$0	\$1,578,399

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 5 - CCD Contract Increase (RST) -

The executive is requesting an increase in state special revenue for the 2025 biennium to pay for the seed-to-sale industry IT regulatory system. The department is responsible for paying a variety of fees including program and support fees and annual cloud hosting fees. Some fees are based on the number of cannabis licensees, and it is unknown how many licensees will enter the recreational cannabis market beginning July 1, 2023. The executive requests this appropriation be restricted so the department can only spend the appropriation on costs related to the system.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 27 - CCD Cannabis Transfer from DPHHS	2.00	0	202,894	0	202,894	2.00	0	202,894	0	202,894
DP 99 - New Fixed Costs	0.00	0	1,458	0	1,458	0.00	0	1,458	0	1,458
Total	2.00	\$0	\$204,352	\$0	\$204,352	2.00	\$0	\$204,352	\$0	\$204,352

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 27 - CCD Cannabis Transfer from DPHHS -

The executive requests a transfer of 1.50 FTE and an additional 0.50 FTE and associated personal service and operating costs from the Department of Health and Human Services that was established as part of the implementation of HB 598 from the 2019 Session. This change package increases state special marijuana funds each fiscal year of the biennium. This change package is contingent on passage and approval of LC0162, which transfers the laboratory inspection and application review work to the Department of Revenue.

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$1,077 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	8,809,011	9,449,116	640,105	7.27 %
Operating Expenses	3,341,812	4,022,260	680,448	20.36 %
Equipment & Intangible Assets	20,874	0	(20,874)	(100.00)%
Capital Outlay	27,000	0	(27,000)	(100.00)%
Debt Service	507,485	512,510	5,025	0.99 %
Total Expenditures	\$12,706,182	\$13,983,886	\$1,277,704	10.06 %
General Fund	12,506,262	13,656,022	1,149,760	9.19 %
State/Other Special Rev. Funds	166,674	293,786	127,112	76.26 %
Proprietary Funds	33,246	34,078	832	2.50 %
Total Funds	\$12,706,182	\$13,983,886	\$1,277,704	10.06 %
Total Ongoing	\$12,706,182	\$13,983,886	\$1,277,704	10.06 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Information Management and Collections Division (IMCD) provides consistent service to Montana citizens, businesses, and nonresident taxpayers through electronic data and records management, account registration, collection of delinquent accounts, and data and remittance processing operations.

- The Collections Bureau manages collections of the department’s delinquent debts and provides collection services to other state agencies and local governments
- The Information Management Bureau ensures secure handling and processing of taxpayer information, payments, and data in electronic and paper form. The bureau is organized into three units: Digitization, Information Governance, and Customer and Payment Management. The focus of the Bureau has recently realigned to better serve the customer with increased electronic options and use of technology to further enhance efficiencies
- The Other Agency Debts Program provides statewide collections services to other state agencies, local governments, universities, and colleges

Program Highlights

Information Management & Collections Division Major Budget Highlights
<ul style="list-style-type: none"> • The Information Management and Collections Division’s 2025 biennium requested appropriations are approximately \$1.3 million or 10.1% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases in general fund for non-state rent, parking costs, and new fixed costs related to the Chief Data Office in the Department of Administration ◦ An increase in state special revenue for postage and printing costs for cannabis licensure and permits

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	71.95	71.95	71.95	71.95
Personal Services	4,144,368	4,145,378	4,663,633	4,709,323	4,739,793
Operating Expenses	1,505,149	1,529,661	1,812,151	1,998,166	2,024,094
Equipment & Intangible Assets	20,874	20,874	0	0	0
Capital Outlay	27,000	27,000	0	0	0
Debt Service	251,230	251,230	256,255	256,255	256,255
Total Expenditures	\$5,948,621	\$5,974,143	\$6,732,039	\$6,963,744	\$7,020,142
General Fund	5,861,390	5,886,913	6,619,349	6,799,812	6,856,210
State/Other Special Rev. Funds	70,608	70,607	96,067	146,893	146,893
Proprietary Funds	16,623	16,623	16,623	17,039	17,039
Total Funds	\$5,948,621	\$5,974,143	\$6,732,039	\$6,963,744	\$7,020,142
Total Ongoing	\$5,948,621	\$5,974,143	\$6,732,039	\$6,963,744	\$7,020,142
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Information Management & Collections Division expended approximately 99.6% of their \$6.0 million HB 2 modified budget for FY 2022. The majority of these expenditures were for personal services.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Information Management & Collections Division's FY 2023 appropriation authority is approximately \$758,000 greater than the FY 2022 appropriation authority. The largest difference is in personal service authority. During FY 2022, the division transferred authority to the Property Assessment Division, which was experiencing a deficit in personal service funding. Additionally, the division made various program transfers and operating plan changes that decreased its personal services and operating expense budget in FY 2022. However, the division increase its authority in equipment and intangible assets as well as capital outlay in order to properly record expenditures.

Executive Request

The Information Management & Collections Division is requesting an increase of approximately \$232,000 in FY 2024 and \$288,000 in FY 2025 above the FY 2023 base appropriations. General fund increases are due to present law adjustments for personal services, fixed costs, and inflation. State special revenue increases are for the postage and printing costs related to cannabis licensure and permits.

Program Personal Services Narrative

The Information Management & Collections Division has 71.95 permanent HB 2 FTE. As of August 1, 2022, the division had 8.20 FTE vacant. During FY 2022, the agency had six employees leave state employment, three transfer to new agencies, and one retire.

Personal services were \$4.7 million or 69.3% of the total FY 2023 appropriations. The executive proposes a present law adjustment increase of approximately \$46,000 in FY 2024 and \$76,000 in FY 2025. During the 2023 biennium, the division

gave career ladder and promotion pay increases to employees. However, pay increases were offset by employee turnover and the agency refilling positions at lower wage rates. Present law increases for personal services are primarily attributed to legislatively approved changes, including increases to pay for the pay plan approved in HB 13 and for increases in benefits.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Revenue, 05-Information Mgmt & Collections						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	13,656,022	0	0	0	13,656,022	93.66 %
02025 Unclaimed Property	52,630	0	0	0	52,630	17.91 %
02088 SSR Administrative Funds	55,996	0	0	0	55,996	19.06 %
02442 Cannabis	185,160	0	0	0	185,160	63.03 %
State Special Total	\$293,786	\$0	\$0	\$0	\$293,786	2.02 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
06005 Liquor Division	34,078	0	0	0	34,078	5.41 %
06554 Bad Debt Collection Services	0	0	596,116	0	596,116	94.59 %
Proprietary Total	\$34,078	\$0	\$596,116	\$0	\$630,194	4.32 %
Total All Funds	\$13,983,886	\$0	\$596,116	\$0	\$14,580,002	

HB 2 Authority

General Fund

The majority of the Information Management and Collections Divisions total appropriation authority comes from general fund and supports personal service and operational expenditures of the division.

State Special Revenue

State special revenue funds the division’s administration of the livestock per capita fee, medical marijuana tax, recreational marijuana tax, and unclaimed property program. Further explanation for the unclaimed property fund is done in the Business and Income Taxes Division.

Proprietary

Appropriations from the Liquor Enterprise fund supports tax and revenue data collections for the Information Management and Collections Divisions.

Non-Budgeted Proprietary

The finances of the bad debt collection services are funded with non-budgeted proprietary funds which will be discussed in the Proprietary Rates Section of this narrative.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	6,619,349	6,619,349	13,238,698	96.94 %	6,732,039	6,732,039	13,464,078	96.28 %
SWPL Adjustments	167,045	213,389	380,434	2.79 %	168,287	214,631	382,918	2.74 %
PL Adjustments	9,980	20,034	30,014	0.22 %	9,980	20,034	30,014	0.21 %
New Proposals	3,438	3,438	6,876	0.05 %	53,438	53,438	106,876	0.76 %
Total Budget	\$6,799,812	\$6,856,210	\$13,656,022		\$6,963,744	\$7,020,142	\$13,983,886	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	45,690	0	0	45,690	0.00	76,160	0	0	76,160
DP 2 - Fixed Costs	0.00	16,390	0	0	16,390	0.00	18,071	0	0	18,071
DP 3 - Inflation Deflation	0.00	104,965	826	0	106,207	0.00	119,158	826	0	120,400
DP 11 - IMCD Administrative Costs Adjustment	0.00	9,980	0	0	9,980	0.00	20,034	0	0	20,034
Grand Total All Present Law Adjustments	0.00	\$177,025	\$826	\$0	\$178,267	0.00	\$233,423	\$826	\$0	\$234,665

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 11 - IMCD Administrative Costs Adjustment -

The executive requests an increase in general fund in FY 2024 and FY 2025 to pay for non-state contractual rent increases and associated parking costs for space currently occupied by Information Management and Collections Division staff.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 29 - IMCD Printing Costs for Cannabis Program Administration	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 99 - New Fixed Costs	0.00	3,438	0	0	3,438	0.00	3,438	0	0	3,438
Total	0.00	\$3,438	\$50,000	\$0	\$53,438	0.00	\$3,438	\$50,000	\$0	\$53,438

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 29 - IMCD Printing Costs for Cannabis Program Administration -

The executive requests a state special revenue fund increase for the 2025 biennium for postage and printing costs related to the Cannabis Control Division. All the department’s postage and printing costs are charged to Information Management and Collections Division. The department did not take postage and printing costs into consideration when the cannabis budget was built in the 2021 Legislative Session. The department is required to print and mail various types of cannabis licenses. Additionally, the department is responsible for printing cardholder and worker permits. When applicable, the department utilizes emails for license renewals to save taxpayer dollars.

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$2,539 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Other Issues -

Proprietary Rates

Collections Services Program – Fund 06554

Proprietary Program Description

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA. The department established the Collections Services Program, which includes 3.50 FTE, to administer its statutory responsibilities under Title 17, chapter 4, MCA. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06554	IMCD Collection Services	58010	Department of Revenue	Information Management and Collections Division - Other Agency Debt

	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Fee Revenue	203,061	265,541	312,402	296,781
Total Operating Revenues	203,061	265,541	312,402	296,781
Expenses				
Personal Services	189,070	210,142	229,459	230,672
Other Operating Expense	63,640	67,575	68,120	67,865
Total Operating Expense	252,710	277,717	297,579	298,537
Operating Income (Loss)	(49,649)	(12,176)	14,823	(1,756)
Change in Net Position	(49,649)	(12,176)	14,823	(1,756)
Beginning Net Position - July 1	239,829	190,180	178,004	192,826
Prior Period Adjustments				
Change in Net Position	(49,649)	(12,176)	14,823	(1,756)
Ending Net Position - June 30	190,180	178,004	192,826	191,071

Expenditures

The Department of Revenue is currently authorized to charge a commission rate for its collection services, excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program. On average, approximately 74.0% of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program.

Revenues

Administration of this program has required a minimum of a 9-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

Proprietary Rates

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:	3.25%	4.25%	5.00%	4.75%

The executive requests a commission rate of 5.0% in FY 2024 and 4.75% in FY 2025. This will provide the department with approximately nine months' worth of working capital. It is necessary to maintain a nine-month working capital balance to pay expenses as they are incurred as most of commission revenue is not collected until the income tax filing season each year, some six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred to maintain the working capital balance at the appropriate level.

Exemptions from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	20,006,838	21,482,540	1,475,702	7.38 %
Operating Expenses	3,514,645	4,177,725	663,080	18.87 %
Capital Outlay	28,691	0	(28,691)	(100.00)%
Debt Service	7,558	15,116	7,558	100.00 %
Total Expenditures	\$23,557,732	\$25,675,381	\$2,117,649	8.99 %
General Fund	21,474,391	22,955,317	1,480,926	6.90 %
State/Other Special Rev. Funds	1,523,677	1,539,731	16,054	1.05 %
Federal Spec. Rev. Funds	559,664	1,003,536	443,872	79.31 %
Proprietary Funds	0	176,797	176,797	0.00 %
Total Funds	\$23,557,732	\$25,675,381	\$2,117,649	8.99 %
Total Ongoing	\$23,557,732	\$25,675,381	\$2,117,649	8.99 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Business and Income Taxes Division (BITD) is responsible for the administration and collection of roughly 40 Montana taxes and fees. BITD also determines valuation of all centrally assessed property in the state.

Regardless of the tax type, BITD is tasked with ensuring Montana’s taxpayers pay the correct amount of tax required under the law, no more and no less. Accordingly, BITD provides clear and timely explanations to taxpayers regarding their obligations and how those obligations may be fulfilled.

BITD is comprised of the following four areas:

- Administration includes the administrator and deputy division administrator along with a management officer and support staff. The management officer and staff work collaboratively with all BITD units and are an integral part of the division’s daily operations
- The Analytics and Planning Bureau houses management analysts and tax specialists. These employees are essential to the division’s compliance efforts and forms and rule development. The bureau is also tasked with finding and implementing efficiencies within BITD’s operations
- The Income and Withholding Tax Bureau is responsible for the daily management and administration of individual, pass-through entity, and withholding taxes. The bureau is organized into five units: compliance, pass-through, field audit, taxpayer accounting, and withholding
- The Business Tax and Valuation Bureau is responsible for the daily management and administration of over 25 tax programs. Four units make up the bureau including natural resources, corporation tax, miscellaneous tax, and centrally assessed property

Program Highlights

Business and Income Taxes Division Major Budget Highlights	
<ul style="list-style-type: none"> • The Business and Income Taxes Division’s 2025 biennium requested appropriations are approximately \$2.1 million or 9.0% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ General fund increases to pay for a contracted financial manager of unclaimed property securities and for new fixed costs related to the Chief Data Office in the Department of Administration ◦ An increase in proprietary funding and 1.00 FTE for the increased workload related to the Alcoholic Beverage Control Division operations 	

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	133.36	133.36	134.36	134.36
Personal Services	9,798,204	9,801,750	10,205,088	10,712,258	10,770,282
Operating Expenses	1,686,174	1,721,798	1,792,847	2,088,859	2,088,866
Capital Outlay	28,691	28,691	0	0	0
Debt Service	0	0	7,558	7,558	7,558
Total Expenditures	\$11,513,069	\$11,552,239	\$12,005,493	\$12,808,675	\$12,866,706
General Fund	10,471,863	10,510,986	10,963,405	11,445,924	11,509,393
State/Other Special Rev. Funds	761,380	761,428	762,249	771,269	768,462
Federal Spec. Rev. Funds	279,826	279,825	279,839	501,688	501,848
Proprietary Funds	0	0	0	89,794	87,003
Total Funds	\$11,513,069	\$11,552,239	\$12,005,493	\$12,808,675	\$12,866,706
Total Ongoing	\$11,513,069	\$11,552,239	\$12,005,493	\$12,808,675	\$12,866,706
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Business and Income Taxes Division expended approximately 99.7% of their \$11.6 million HB 2 modified budget for FY 2022. The majority of the expenditures were for personal services.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Business and Income Taxes Division FY 2023 appropriation authority is approximately \$453,000 greater than the FY 2022 appropriation authority. Approximately \$403,000 of this difference is due to personal services expenditure increases in FY 2023 for projected present law increases as well as for the pay plan. Differences in operating expenses are due

to program transfers and operating plan changes that transferred authority to other divisions or expenditure categories to appropriately account for expenditures.

Executive Request

The Business and Income Taxes Division is requesting an increase of approximately \$803,000 in FY 2024 and \$861,000 in FY 2025 above the FY 2023 base appropriations. This increase is primarily due to present law adjustments for personal services, fixed costs, and inflation. The executive is also requesting new proprietary funding for 1.00 FTE due to an increased workload related to the Alcoholic Beverage Control Division operations. Additionally, the executive is requesting an increase in general fund for a contracted financial manager of the unclaimed property securities and for new fixed costs.

Program Personal Services Narrative

The Business and Income Taxes Division has 133.36 permanent HB 2 FTE. As of August 1, 2022, the division had 16.70 FTE vacant. During the 2022 FY, the division had 17 employees leave state employment and 7 retire.

Personal services were \$10.2 million or 85.0% of the total FY 2023 appropriations. The executive proposes a present law adjustment increase of approximately \$263,000 in FY 2024 and \$321,000 in FY 2025. During the 2023 biennium, the division issued career ladder and promotion pay increases as well as reclassified positions. Along with these pay increases, the division had an increase in longevity and benefits payments.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Revenue, 07-Business & Income Taxes Div Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	22,955,317	0	0	0	22,955,317	88.78 %	
02025 Unclaimed Property	638,044	0	0	0	638,044	37.09 %	
02110 Accommodation Tax Admin	264,129	0	0	0	264,129	15.36 %	
02293 Film Applications Credit	0	0	0	40,971	40,971	2.38 %	
02790 6901-Statewide Tobacco Sttlmnt	380,134	0	0	0	380,134	22.10 %	
02020 Cigarette Tax Stamps	0	0	0	139,361	139,361	8.10 %	
02442 Cannabis	257,424	0	0	0	257,424	14.97 %	
State Special Total	\$1,539,731	\$0	\$0	\$180,332	\$1,720,063	6.65 %	
03928 Royalty Audit - NRCT	1,003,536	0	0	0	1,003,536	100.00 %	
Federal Special Total	\$1,003,536	\$0	\$0	\$0	\$1,003,536	3.88 %	
06005 Liquor Division	176,797	0	0	0	176,797	100.00 %	
Proprietary Total	\$176,797	\$0	\$0	\$0	\$176,797	0.68 %	
Total All Funds	\$25,675,381	\$0	\$0	\$180,332	\$25,855,713		

HB 2 Authority

General Fund

The Business and Income Taxes Division is primarily funded with general fund authority. General fund supports most of the division’s personal services and operating expenses.

State Special Revenue

State special revenue comes from the unclaimed property fund for program support, tobacco tax compliance activities, cannabis tax compliance activities, and accommodations tax which funds expenses related to administering the tax.

LFD COMMENT The unclaimed property fund contributes to the state special revenue funds. The table below shows actual and estimated revenues and expenditures for FY 2022 through FY 2025. Expenditures for the unclaimed property fund are from the Director's Office, Information Management and Collections Division, and the Business and Income Taxes Division. The Business and Income Taxes Division accounts for most the fund's expenditures, with approximately 65.0%.

Department of Revenue Unclaimed Property Fund - 02025				
	Actual FY 2022	Estimated FY 2023	Proposed FY 2024	Proposed FY 2025
Beginning Balance	-	-	223	7,171
Revenue	486,277	486,500	500,000	500,000
Expenditures				
Department of Revenue				
Directors Office	144,265	144,266	147,670	147,670
Information Management & Collections Division	26,137	26,136	26,315	26,315
Business & Income Taxes Division	315,875	315,875	319,067	318,977
Total Expenditures	486,277	486,277	493,052	492,962
Ending Fund Balance	-	223	7,171	14,209

Federal Special Revenue

Federal special revenue comes from reimbursements for performing mineral royalty audits.

Proprietary Funding

The Business and Income Taxes Division receives a small portion from the liquor enterprise fund to support liquor tax compliance activities.

Statutory Funding

The Business and Income Taxes Division has statutory authority for the Montana Economic Development Industry Advancement (MEDIA) Act film tax credit fee and the cigarette tax stamps. The Montana Legislature established the MEDIA Act (2019 Legislative Session) which provides a transferable income tax credit to eligible film production companies. To determine a company's eligibility, they must apply with both the Department of Commerce and the Department of Revenue. Statutory authority for the cigarette tax stamps results from the State of Montana charging a tax on cigarettes sold by selling tax decals to wholesalers who then attach the decal to each pack of cigarettes sold in Montana.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	10,963,405	10,963,405	21,926,810	95.52 %	12,005,493	12,005,493	24,010,986	93.52 %
SWPL Adjustments	446,398	509,867	956,265	4.17 %	457,106	517,928	975,034	3.80 %
PL Adjustments	30,000	30,000	60,000	0.26 %	250,161	250,161	500,322	1.95 %
New Proposals	6,121	6,121	12,242	0.05 %	95,915	93,124	189,039	0.74 %
Total Budget	\$11,445,924	\$11,509,393	\$22,955,317		\$12,808,675	\$12,866,706	\$25,675,381	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	260,784	2,634	0	263,418	0.00	321,384	0	0	321,384
DP 2 - Fixed Costs	0.00	110,635	610	1,688	112,933	0.00	97,884	437	1,848	100,169
DP 3 - Inflation Deflation	0.00	74,979	5,776	0	80,755	0.00	90,599	5,776	0	96,375
DP 6 - BIT Contract for UCP Stocks	0.00	30,000	0	0	30,000	0.00	30,000	0	0	30,000
Grand Total All Present Law Adjustments	0.00	\$476,398	\$9,020	\$1,688	\$487,106	0.00	\$539,867	\$6,213	\$1,848	\$547,928

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 6 - BIT Contract for UCP Stocks -

The executive requests additional general fund appropriation authority in the 2025 biennium to pay its contracted financial manager of unclaimed property securities. The contractor is responsible for maintaining the state’s current securities assets and facilitates the delivery, collection, and sales of reported unclaimed securities. The state’s contract spans several years, and the contractor retains all the department’s historical data regarding unclaimed property securities. Multiple transaction fee amounts are set forth in the initial contract and are charged to the state on a “per transaction” basis. Due to an expected increase in the number of transactions during the 2025 biennium, the department will need additional appropriation authority.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 18 - Liquor FTE for increased workload	1.00	0	0	0	89,794	1.00	0	0	0	87,003
DP 99 - New Fixed Costs	0.00	6,121	0	0	6,121	0.00	6,121	0	0	6,121
Total	1.00	\$6,121	\$0	\$0	\$95,915	1.00	\$6,121	\$0	\$0	\$93,124

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 18 - Liquor FTE for increased workload -

The executive requests an increase in proprietary funds in the 2025 biennium for additional staffing needs in the Alcohol Beverage Control Division (ABCD) and Business and Income Taxes (BIT) Division related to the management of the program. An additional 1.00 FTE is requested for BIT due to the increased caseload to perform tax administration functions related to increased liquor sales.

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$4,521 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	39,366,557	41,623,717	2,257,160	5.73 %
Operating Expenses	6,834,897	6,658,750	(176,147)	(2.58)%
Equipment & Intangible Assets	29,891	0	(29,891)	(100.00)%
Debt Service	1,700,546	1,706,270	5,724	0.34 %
Total Expenditures	\$47,931,891	\$49,988,737	\$2,056,846	4.29 %
General Fund	47,897,339	49,954,185	2,056,846	4.29 %
State/Other Special Rev. Funds	34,552	34,552	0	0.00 %
Total Funds	\$47,931,891	\$49,988,737	\$2,056,846	4.29 %
Total Ongoing	\$47,931,891	\$49,988,737	\$2,056,846	4.29 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Property Assessment Division (PAD) administers Montana’s property tax laws, which includes the valuation and classification of all taxable property. The division ensures all classes of property are valued uniformly and equally throughout the state. These classifications include but are not limited to agricultural and forest land, residential and commercial property, industrial facilities, exempt properties, and business equipment personal property.

PAD provides every taxing jurisdiction with the total market and taxable value of property in each county. Local governments use these certified values to determine the number of mills necessary to levy for property tax billing. Funds collected from property taxes are used for important services such as public schools, law enforcement, ambulance services, special improvement districts, infrastructure improvements, and road construction and maintenance.

Program Highlights

Property Assessment Division Major Budget Highlights
<ul style="list-style-type: none"> • The Property Assessment Division’s 2025 biennium requested appropriations are approximately \$2.1 million or 4.3% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ An increase in general fund and 1.00 new FTE for a county assessor position ◦ General fund increases due to rent, parking, and technology cost increases as well as new fixed costs related to the Chief Data Office in the Department of Administration

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	285.92	285.92	286.92	286.92
Personal Services	19,244,224	19,247,458	20,119,099	20,757,053	20,866,664
Operating Expenses	3,689,913	3,785,098	3,049,799	3,294,297	3,364,453
Equipment & Intangible Assets	29,891	29,891	0	0	0
Debt Service	847,411	847,411	853,135	853,135	853,135
Total Expenditures	\$23,811,439	\$23,909,858	\$24,022,033	\$24,904,485	\$25,084,252
General Fund	23,797,149	23,892,582	24,004,757	24,887,209	25,066,976
State/Other Special Rev. Funds	14,290	17,276	17,276	17,276	17,276
Total Funds	\$23,811,439	\$23,909,858	\$24,022,033	\$24,904,485	\$25,084,252
Total Ongoing	\$23,811,439	\$23,909,858	\$24,022,033	\$24,904,485	\$25,084,252
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Property Assessment Division expended approximately 99.6% of their \$23.9 million HB 2 modified budget for FY 2022. Personal services were 100.0% expended and operating expenses were 97.5% expended.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Property Assessment Division FY 2023 appropriation authority is approximately \$112,000 greater than the FY 2022 appropriation authority. Personal service authority was increased by approximately \$872,000 in FY 2023 while operating expenses were reduced by \$735,000. The division required an operating plan transfer to comply with accounting guidelines in recording rent leases. This required a transfer of personal service authority in FY 2022 and an operating expense authority transfer from the FY 2023 budget. However, due to this transfer, the division experienced a deficit in personal service funding and required program transfers from other programs and operating plan transfers to meet their personal service expenditure needs. Therefore, increases to the personal service expenditure authority in FY 2023 are primarily due to projected present law adjustments and for the pay plan as approved in HB 13.

Executive Request

The Property Assessment Division is requesting an increase of approximately \$882,000 in FY 2024 and \$1.1 million in FY 2025 above the FY 2023 base appropriations. The majority of this increase is for statewide present law adjustments for personal services, fixed costs, and inflation. Other adjustments include increases in general fund for administrative cost increases, new fixed costs, and 1.00 FTE county appraiser position.

Program Personal Services Narrative

The Property Assessment Division has 285.92 permanent HB 2 FTE. As of August 1, 2022, the division had 18.50 FTE vacant and had seen 34 employees leave state employment, nine retire, and three transfer to a new agency during the fiscal year.

Personal services were \$20.1 million or 83.8% of the total FY 2023 appropriations. The executive proposes a present law adjustment increase of approximately \$570,000 in FY 2024 and \$680,000 in FY 2025. During the 2023 biennium, the division issued promotion and retention adjustments to increase property appraiser salaries to get closer to 80.0% of the market mid-point rate. Additionally, increased pay due to the pay plan authorized in HB 13 and increases in benefits contribute to this increase in personal service authority.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Revenue, 08-Property Assessment Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	49,954,185	0	0	0	49,954,185	99.93 %
02088 SSR Administrative Funds	28,552	0	0	0	28,552	82.63 %
02320 Property Value. Improv. Fund	6,000	0	0	0	6,000	17.37 %
State Special Total	\$34,552	\$0	\$0	\$0	\$34,552	0.07 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$49,988,737	\$0	\$0	\$0	\$49,988,737	

HB 2 Authority

The Property Assessment Division is almost entirely funded with general fund. There is a small portion from state special revenue for the livestock per capita fee and the property valuation improvement fund. The property valuation improvement fund charges a photocopy fee in the county offices throughout the state. This fee is used to reimburse the cost of developing and maintaining the property valuation database.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	24,004,757	24,004,757	48,009,514	96.11 %	24,022,033	24,022,033	48,044,066	96.11 %
SWPL Adjustments	792,856	943,028	1,735,884	3.48 %	792,856	943,028	1,735,884	3.47 %
PL Adjustments	76,569	106,164	182,733	0.37 %	76,569	106,164	182,733	0.37 %
New Proposals	13,027	13,027	26,054	0.05 %	13,027	13,027	26,054	0.05 %
Total Budget	\$24,887,209	\$25,066,976	\$49,954,185		\$24,904,485	\$25,084,252	\$49,988,737	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	570,151	0	0	570,151	0.00	679,715	0	0	679,715
DP 2 - Fixed Costs	0.00	43,667	0	0	43,667	0.00	50,591	0	0	50,591
DP 3 - Inflation Deflation	0.00	179,038	0	0	179,038	0.00	212,722	0	0	212,722
DP 4 - PAD FTE 1.0 for loss of County Assessor	1.00	24,164	0	0	24,164	1.00	21,364	0	0	21,364
DP 12 - PAD Administrative Cost Adjustment	0.00	52,405	0	0	52,405	0.00	84,800	0	0	84,800
Grand Total All Present Law Adjustments	1.00	\$869,425	\$0	\$0	\$869,425	1.00	\$1,049,192	\$0	\$0	\$1,049,192

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - PAD FTE 1.0 for loss of County Assessor -

The executive requests 1.00 FTE and an increase in general fund in the 2025 biennium to complete the Silver Bow County Assessor's workload. In FY 2022, the Department of Revenue terminated its existing contract with Silver Bow County. The laws regarding elected assessors were changed in 1993 (HB 50) to phase-out elected assessors and move their duties under the Department of Revenue's Property Assessment Division. The bill allowed current assessors to remain in their positions until they chose to step down, retire, or voluntarily become a department employee. The Silver Bow County Assessor is the last remaining elected assessor in the state that was performing duties under a contract. Per HB 50, the department had a contract with the assessor that described the duties that would need to be performed in order to receive the compensation. The department was paying Silver Bow County approximately \$54,000 each fiscal year to perform the county assessor's job duties. Because of the termination of the Silver Bow County Assessor contract and the state's responsibility to administer Montana's property tax laws, the department requires an FTE to perform the assessor's job duties. This position will be in the department's Butte field office.

DP 12 - PAD Administrative Cost Adjustment -

The executive requests an increase in general fund appropriation for the 2025 biennium to pay for contractual rent increases, associated parking, and technology costs for space currently occupied by Property Assessment Division staff throughout the state. Many county leases follow the Department of Administration rent rate increase.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	13,027	0	0	13,027	0.00	13,027	0	0	13,027
Total	0.00	\$13,027	\$0	\$0	\$13,027	0.00	\$13,027	\$0	\$0	\$13,027

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$9,620 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.