

DEPARTMENT OF REVENUE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Commissioner of Political Practice
Dept. of Administration
Dept. of Commerce
Dept. of Labor & Industry
Dept. of Military Affairs
Dept. of Revenue

Governor's Office
Legislative Branch
Montana Consumer Counsel
Secretary of State
State Auditor's Office

-----Committee Members-----

House

Representative Terry Falk (Chair)
Representative Luke Musziewicz
Representative Ken Walsh

Senate

Senator Forrest Mandeville (Vice Chair)
Senator Derek Harvey
Senator Tony Tezak

-----Fiscal Division Staff-----

Molly DelCurto
Ethan Bergen
Katie Guenther

Agency Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Agency Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	3.50	3.50	3.50	0.00	0.0%	
Proprietary Funds	322,668	349,768	350,898	55,330	8.6%	
Total Funds	322,668	349,768	350,898	55,330	8.6%	
Personal Services	256,271	273,061	273,062	33,581	6.6%	
Operating Expenses	66,397	76,707	77,836	21,749	16.4%	
Total Expenditures	322,668	349,768	350,898	55,330	8.6%	
Total Ongoing	322,668	349,768	350,898	55,330	8.6%	
Total One-Time-Only					0.0%	

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> • The Department of Revenue’s 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$55,000 or 8.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ An increase in personal services authority of \$34,000 because of the statewide present law adjustment for personal services ◦ Operating expenses also increased by \$22,000 with this being primarily due to fixed costs associated with administrative costs ◦ A proposed increase to the commission rate from 4.75% to 6.00% in FY 2026 and FY 2027

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Department of Revenue 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	322,668	92.3%	0	0	0	322,668	92.0%
Statewide PL										
Personal Services	0	0	0	16,790	4.8%	0	0	0	16,791	4.8%
Fixed Costs	0	0	0	10,310	2.9%	0	0	0	11,439	3.3%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	27,100	7.7%	0	0	0	28,230	8.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	27,100	7.7%	0	0	0	28,230	8.0%
Total Requested Budget	0	0	0	349,768		0	0	0	350,898	

Funding

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

Total Department of Revenue Funding by Source of Authority 2027 Biennium Budget Request						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	137,860,350			352,583,000	490,443,350	37.9%
02442 Cannabis	198,135,869				198,135,869	15.3%
02168 MT Oil Production Tax				130,606,005	130,606,005	10.1%
02083 Oil & Gas Local Assistance				10,242,000	10,242,000	0.8%
02008 Tobacco And Cig. Tribal Agree.				6,159,910	6,159,910	0.5%
02966 Tribal Agreement - Alcohol				2,018,000	2,018,000	0.2%
Other State Special Revenue	2,081,408			3,912,037	5,993,445	0.5%
State Special Revenue Total	200,217,277			152,937,952	353,155,229	27.3%
03928 Royalty Audit - NRCT	1,006,046				1,006,046	0.1%
Federal Special Revenue Total	1,006,046				1,006,046	0.1%
06005 Liquor Division	449,079,507				449,079,507	34.7%
06554 Bad Debt Collection Services			700,666		700,666	0.1%
Proprietary Fund Total	449,079,507		700,666		449,780,173	34.7%
Total of All Funds	788,163,180		700,666	505,520,952	1,294,384,798	
Percent of All Sources of Authority	60.9%	0.0%	0.1%	39.1%		

Non-Budgeted Proprietary Funds

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

Agency Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	3.50	3.50	3.50	3.50
Personal Services	239,780	242,234	256,271	273,061	273,062
Operating Expenses	64,348	66,279	66,397	76,707	77,836
Total Expenditures	\$304,128	\$308,513	\$322,668	\$349,768	\$350,898
Proprietary Funds	304,128	308,513	322,668	349,768	350,898
Total Funds	\$304,128	\$308,513	\$322,668	\$349,768	\$350,898
Total Ongoing	\$304,128	\$308,513	\$322,668	\$349,768	\$350,898
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Department of Revenue has one non-budgeted proprietary fund. This fund is within the Information Management and Collections Division (IMCD).

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 PB, to administer its statutory responsibilities. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

This non-budgeted proprietary fund was 98.6% expended in FY 2024. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

In comparing the appropriations for FY 2025 to the FY 2024 appropriations, FY 2025 is 4.6% greater. Within this fund, personal services increased at a larger rate because the pay plan is greater in FY 2025. Within operating expenses, appropriations for this are nearly identical in FY 2025 to the FY 2024 appropriations.

Proprietary Program Revenues and Expenditures

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

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
6554	Bad Debt Collection Services	58010	Revenue	Information Mgmt & Collections		
			Actual	Estimated	Proposed	Proposed
			FY 2024	FY 2025	FY 2026	FY 2027
Operating Revenues						
Fees and Charges						
	Fee Revenue A		337,170	300,000	350,000	360,000
	Other Operating Revenues					
Total Operating Revenues			337,170	300,000	350,000	360,000
Expenses						
	Personal Services		239,961	256,271	273,061	273,062
	Other Operating Expense					
	Expense A		64,685	66,397	76,707	77,836
Total Operating Expense			304,646	322,668	349,768	350,898
Operating Income (Loss)			32,524	(22,668)	232	9,102
Nonoperating Revenues						
	Other Revenue A					
	Other Revenue B					
Nonoperating Expenses						
	Other Expense A					
	Other Expense B					
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions and Transfers			32,524	(22,668)	232	9,102
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			32,524	(22,668)	232	9,102
Beginning Net Position - July 1			261,177	293,951	271,283	271,515
	Prior Period Adjustments		250			
Change in Net Position			32,524	(22,668)	232	9,102
Ending Net Position - June 30			293,951	271,283	271,515	280,617
Net Position (Fund Balance) Analysis						
Restricted Net Postion (Enterprise Funds Only)						
Unrestricted Net Position						

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. Historically, 76.5% of the expenditures from this fund are paid in salary and benefits (personal services) with the remaining expenditures being operating expenses.

Revenues

Administration of this program has required a minimum of a nine-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

The executive proposes a commission rate of 6.00% in both FY 2026 and FY 2027, which is an increase from the rates approved by the 2023 Legislature. This will provide the department with approximately nine months' worth of working capital. The nine-month working capital balance allows the agency to pay expenses as they are incurred as most of commission revenue is not collected until the income tax filing season each year, which is 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.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027
Fee Description:	5.00%	4.75%	6.00%	6.00%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	16,790	0.00	0	0	0	16,791
DP 2 - Fixed Costs	0.00	0	0	0	10,310	0.00	0	0	0	11,439
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$27,100	0.00	\$0	\$0	\$0	\$28,230

**"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.