



Louisiana Senate Finance Committee



FY19 Executive Budget

12 – Department of Revenue

April 2018

Sen. John A. Alario, President
Sen. Eric LaFleur, Chairman



FY19 Executive Budget

Schedule 12— Department of Revenue

Department of Revenue mission — “To fairly and efficiently collect state tax revenue to fund public services; to regulate charitable gaming and the sale of alcoholic beverages and tobacco; and to support state agencies in the collection of overdue debts.”

Department of Revenue

12-440 Office of Revenue

Alcohol and Tobacco Control

Regulates the alcoholic beverage and tobacco industries in the state; licenses alcoholic beverage manufacturers, native wineries, retailers, and wholesalers as well as retail and wholesale tobacco product dealers and enforces state alcoholic beverage and tobacco laws.

Tax Collection

Comprises the entire tax collection effort of the office, which is organized into four major divisions and the Office of Legal Affairs.

The **Office Management and Finance** handles accounting, support services, human resources management, information services, and internal audit.

Tax Administration Group I is responsible for collection, operations, personal income tax, sales tax, post processing services, and taxpayer services.

Tax Administration Group II is responsible for audit review, research and technical services, excise taxes, corporation income and franchise taxes, and severance taxes.

Tax Administration Group III is responsible for field audit 32 services, district offices, regional offices, and special investigations.

Office of Charitable Gaming

Licenses, educates, and monitors organizations conducting legalized gaming as a fund-raising mechanism; provides for the licensing of commercial lessors and related matters regarding electronic video bingo and progressive mega-jackpot bingo.



Department of Revenue

Fiscal Year Comparison

Total Means of Financing By Office FY17, FY18, & FY19

Total Funding	FY17 Actual	FY18 Enacted	FY18 EOB as of 12-1-17	FY19 Recommended	<i>Difference FY19 Recommended vs. FY18 EOB as of 12-1-17</i>
Tax Collection	\$ 81,158,791	\$ 92,088,024	\$ 93,307,017	\$ 90,157,628	\$ (3,149,389)
Alcohol and Tobacco Control	\$ 5,145,423	\$ 6,159,312	\$ 6,201,312	\$ 6,378,473	\$ 177,161
Office of Charitable Gaming	\$ 1,749,798	\$ 2,320,234	\$ 2,320,234	\$ 2,371,324	\$ 51,090
TOTAL	\$ 88,054,012	\$ 100,567,570	\$ 101,828,563	\$ 98,907,425	\$ (2,921,138)
Total Authorized FTEs	713	713	712	690	(22)

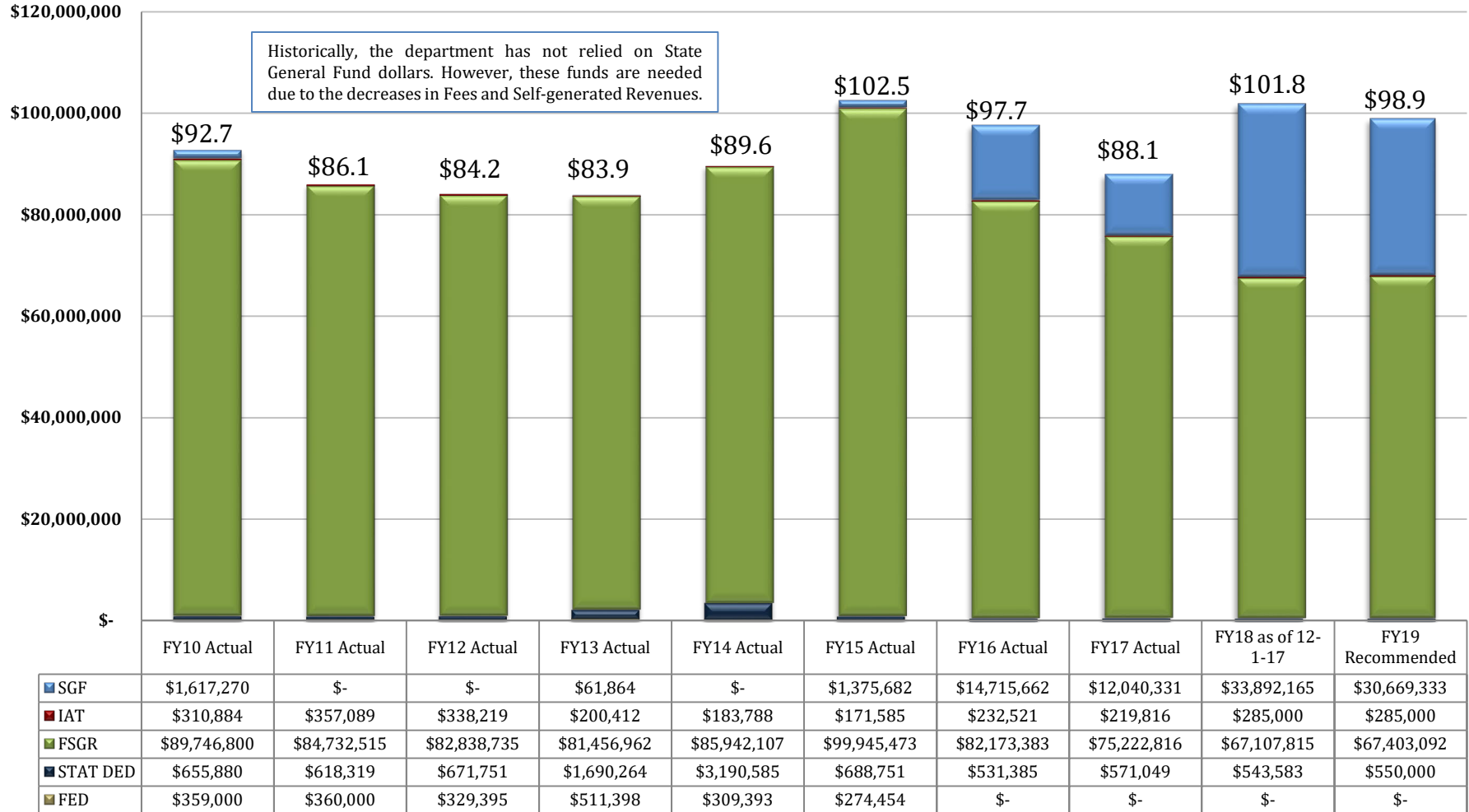


Department of Revenue

Changes in Funding since FY10

Total Budget by Fiscal Year and Means of Finance (in \$ millions)

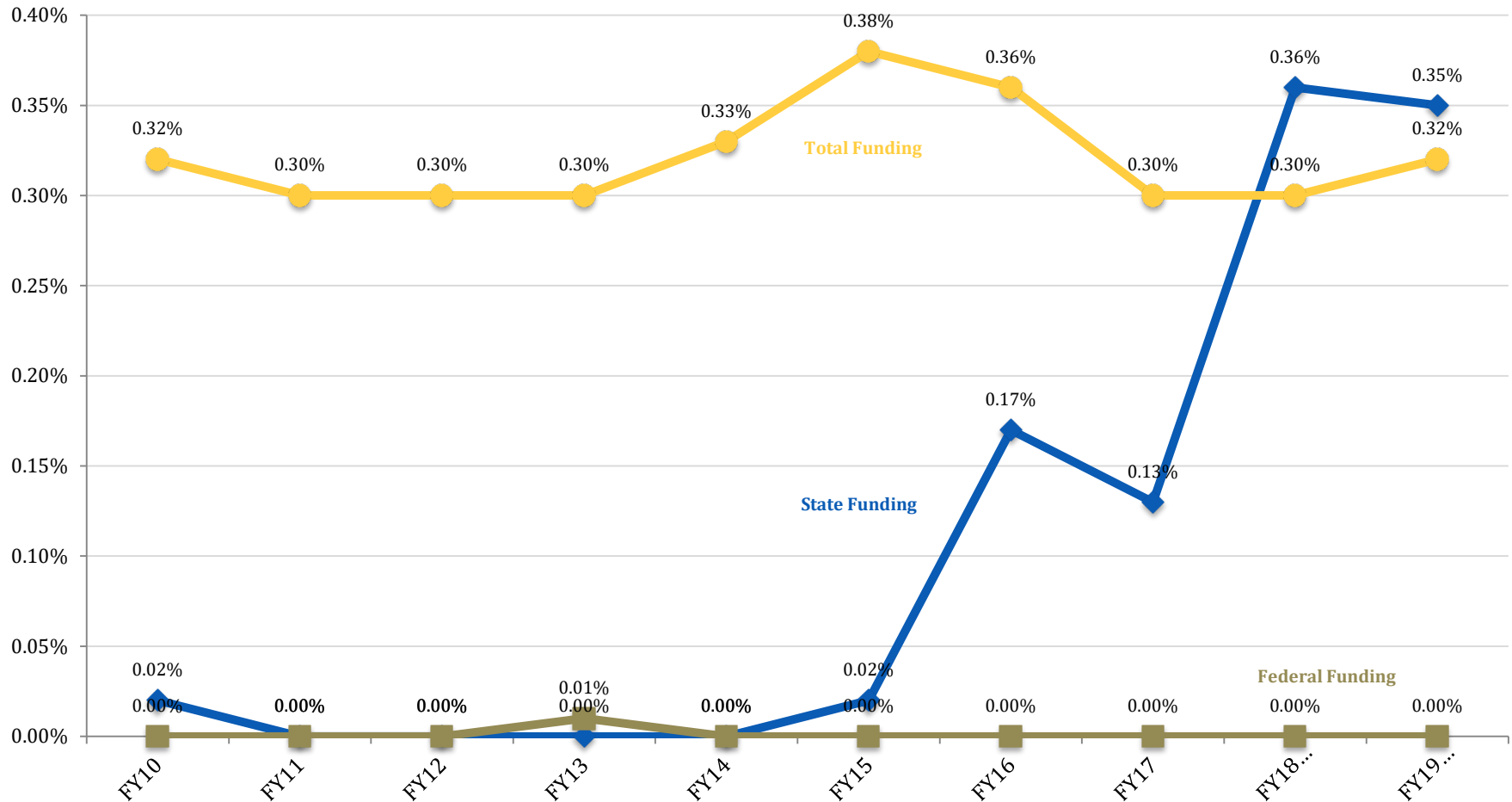
Change from FY10 to FY19 is +6.7%.





Dept. of Revenue's Changes in Funding since FY10

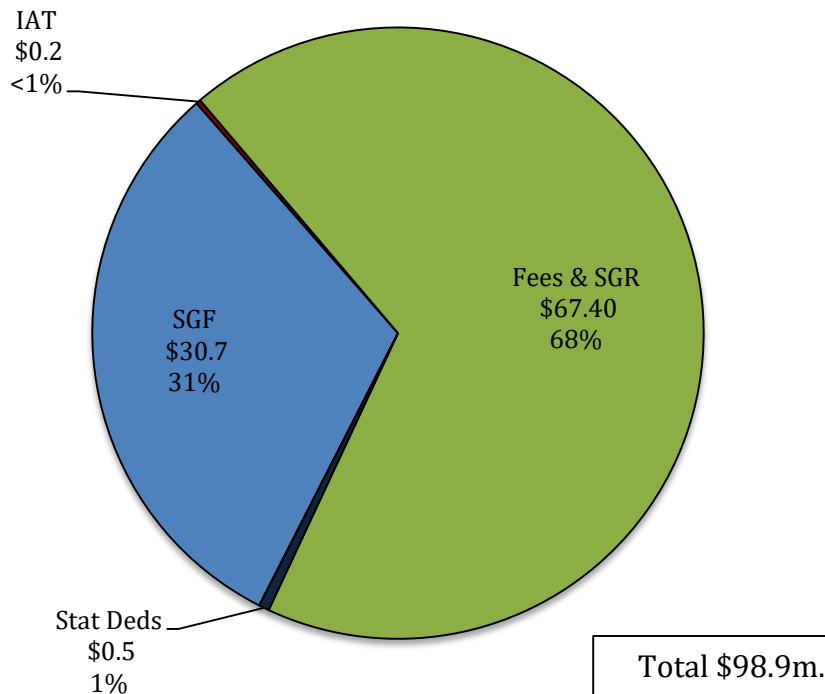
Dept. of Revenue's Budget as a Portion of the Total State Budget





Department of Revenue FY19 Means of Finance

**FY19 Recommended
Total Means of Finance
(In Millions)**



Non-SGF Sources of Funding:

Fees and Self-generated Revenues are the largest non-SGF funding source. They are derived from late payment/delinquent fees, negligence fees, fees assessed for the required purchase of various licenses, permits, and fines for violations.

Interagency Transfers are derived from are derived from the Department of Justice for enforcement, reporting, permitting, and bonding requirements related to tobacco enforcement to comply with the Master Settlement Agreement, the Department of Public Safety for the enforcement of state and federal laws prohibiting the sale of alcoholic beverages to underage consumers, and the Department of Health and Hospitals for the enforcement of the Prevention of Youth Access to Tobacco.

Statutory Dedications are derived from are derived from the **Tobacco Regulation Enforcement Fund (S)** provided by a portion of the tax charged to consumers for the purchase of cigarettes.

Note: The Department of Revenue, as provided for annually in HB1, is allowed to carry forward fees and self-generated revenues from prior- and current-year collections. For FY17, the amount is \$43.9 million. The carry forward fees will be used in part (\$30 million) to pay for the final phases of LAGOV. The appropriations bill (HB1 re-engrossed) appropriates recurring state general fund to replace fees and self-generated revenues.



Department of Revenue

FY19 Recommended Means of Finance by Agency

12 — Department of Revenue

FY19 Recommended Means of Financing by Agency

Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total
Office of Revenue	\$30,669,333	\$285,000	\$67,403,092	\$550,000	\$0	\$98,907,425
Tax Collection	\$30,669,333	\$0	\$59,488,295	\$0	\$0	\$90,157,628
Alcohol and Tobacco Control	\$0	\$285,000	\$5,543,473	\$550,000	\$0	\$6,378,473
Charitable Gaming	\$0	\$0	\$2,371,324	\$0	\$0	\$2,371,324
TOTAL Office of Revenue	\$30,669,333	\$285,000	\$67,403,092	\$550,000	\$0	\$98,907,425

Agency	Program Description
Tax Collection	The mission is to fairly and efficiently collect state tax revenue to fund public services. LDR wants to continuously improve and enhance its abilities in the areas of customer service, operational efficiencies and accuracy, and voluntary compliance and enforcement.
Alcohol and Tobacco Control	Provides consistent effective, efficient regulation and enforcement of the alcohol and tobacco industries to protect the citizens of Louisiana and the stakeholders in the industries, provide effective and efficient customer service to the permit holders, limit underage individual's access to alcohol and tobacco products and to reduce the sale and distribution of unsafe and illegal tobacco and vape products.
Charitable Gaming	Administers efficiently and effectively the state's tax and regulatory statutes in a manner that will generate the highest degree of public confidence in the Department's integrity and fairness.



Department of Revenue Dedicated Funds FY17, FY18, and FY19

Dedicated Fund Review Committee

Dedicated Funds	Source of Funding	FY17 Actual	FY18 EOB	FY19 Recommended
Tobacco Regulation Enforcement Fund	A portion of the tax charged to consumers for the purchase of cigarettes.	\$571,049	\$543,583	\$550,000
TOTALS		\$571,049	\$543,583	\$550,000

Dedicated Fund Review Subcommittee recommendation:

Tobacco Regulation Enforcement Fund = No change



Department of Revenue Expenditures

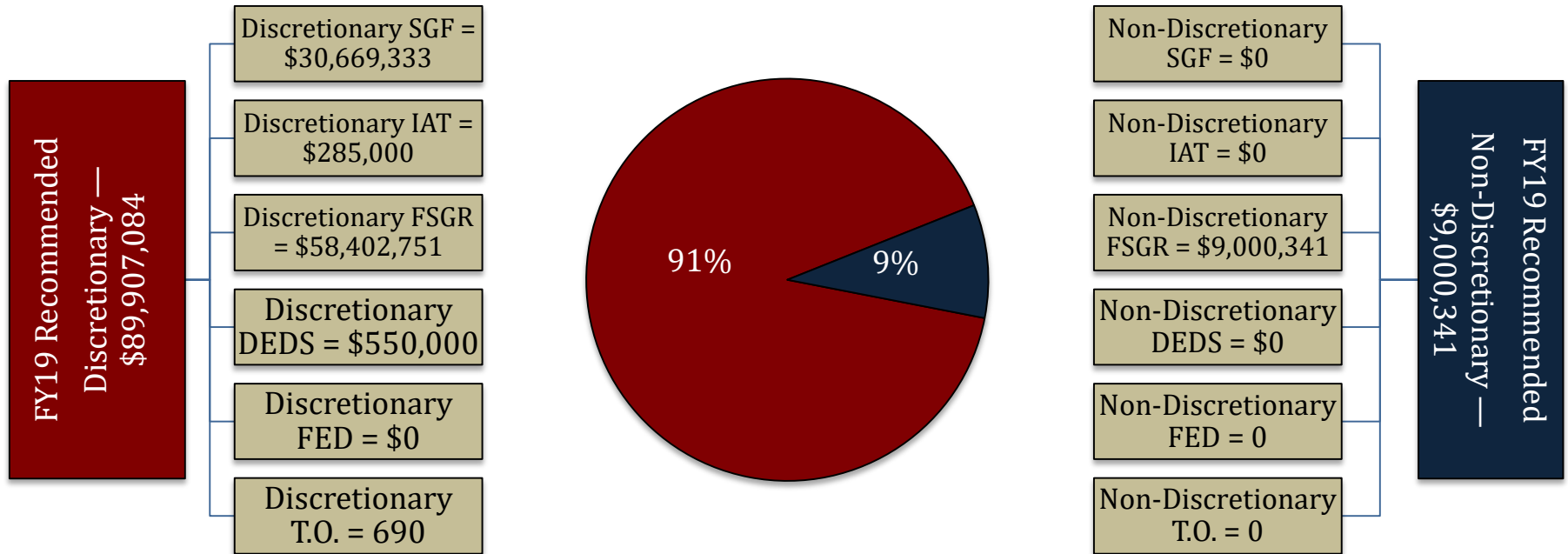
FY17, FY18, and FY19

Expenditure Category	FY17 Actual	FY18 EOB	FY19 Recommended	Percent Change FY18 EOB vs. FY19 Recommended
Personal Services:	\$58,162,989	\$65,111,945	\$63,201,696	(2.9)
Salaries	\$34,750,437	\$38,243,260	\$38,012,128	(0.6)
Other Compensation	\$1,567,797	\$1,671,536	\$307,845	(81.6)
Related Benefits	\$21,844,755	\$25,197,149	\$24,881,723	(1.3)
Operating Expenses:	\$6,749,742	\$7,763,068	\$7,347,713	(5.4)
Travel	\$575,232	\$802,094	\$867,094	8.1
Operating Services	\$5,994,458	\$6,582,922	\$6,102,567	(7.3)
Supplies	\$180,052	\$378,052	\$378,052	-
Professional Services	\$827,878	\$1,791,802	\$1,450,458	(19.1)
Other Charges:	\$22,270,777	\$26,899,932	\$26,449,747	(1.7)
Other Charges	\$1,027,677	\$1,799,610	\$1,009,383	(43.9)
Debt Service	\$0	\$0	\$0	-
Interagency Transfers	\$21,243,100	\$25,100,322	\$25,440,364	1.4
Acquisitions & Major Repairs:	\$42,626	\$261,816	\$457,811	74.9
Acquisitions	\$42,626	\$261,816	\$457,811	74.9
Major Repairs	\$0	\$0	\$0	-
Total Expenditures	\$88,054,012	\$101,828,563	\$98,907,425	(2.9)



Department of Revenue

FY19 Discretionary/Non-Discretionary Comparison



Total Discretionary Funding by Office		
Office of Revenue	\$ 81,376,005	91%
Alcohol and Tobacco Control	\$ 6,159,755	7%
Office of Charitable Gaming	\$ 2,371,324	3%
Total Discretionary	\$ 89,907,084	100%

Total Non-Discretionary Funding by Type		
Needed for Debt Service	\$ 3,414,088	38%
Statutory Obligations	\$ -	0%
Unavoidable Obligations	\$ 5,586,253	62%
Total Non-Discretionary	\$ 9,000,341	100%

Debt Service = Rent in State-owned Buildings

Statutory Obligations = Tax Collections Owed to Locals

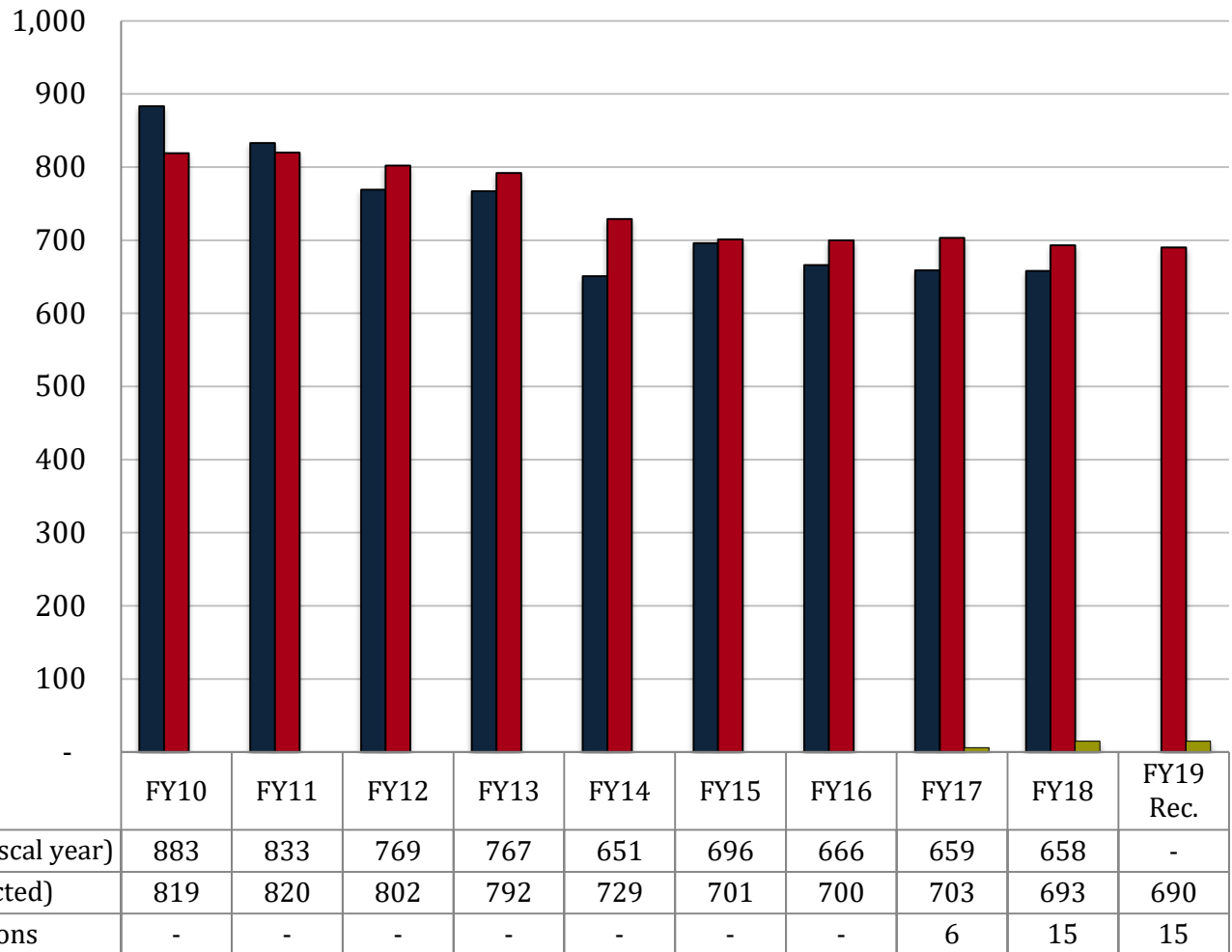
Unavoidable Obligations = Retirees Group Insurance; Maintenance



Department of Revenue

FTEs, Authorized Positions, and Other Charges Positions

Total FY19
Recommended
Authorized Positions
of 690 are 2.1%
of Total State FY19
Recommended
Authorized Positions
of 33,301.



Notes:

Data for Total FTEs uses the first weekly employment report published by State Civil Service in July at the start of the named fiscal year.

Data for Total Authorized Positions uses fiscal year enacted levels, except for FY18 Recommended.

Data for Other Charges Positions are reflected in the Executive Budget per Act 377 of the 2013 Regular Legislative Session (beginning in FY15).



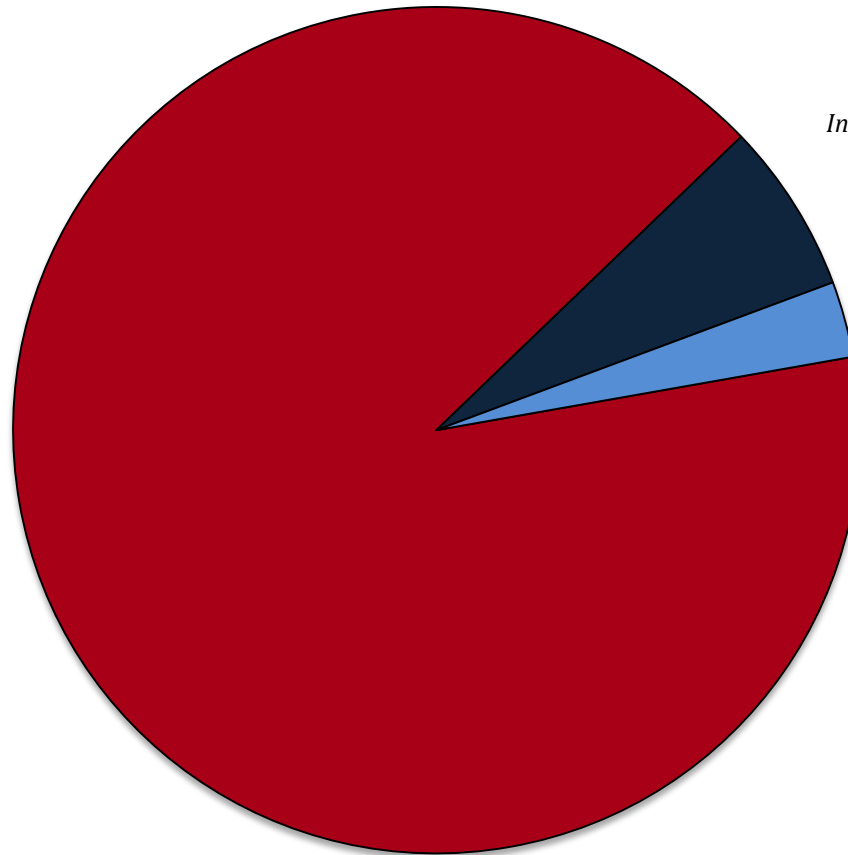
Department of Revenue

FY19 Recommended Total Authorized Positions by Agency

Authorized Positions recommended
for FY19 total 690.

Tax Collection
625
91%

*Includes Compliance
employees, Enforcement
employees, and Revenue
Processing and
Distribution employees*



**Alcohol and Tobacco
Control**
45
6%

*Includes Enforcement and
Regulation employees*

**Office of Charitable
Gaming**
20
3%

*Includes
Auditing/Accounting
employees*

FY18 TAX COLLECTION POSITIONS

ADMINISTRATION	63
COMPLIANCE	253
ENFORCEMENT	150
POLICY MGMT	29
REV COLL & DIS	92
TAXPAYER ASSISTANC	60

TOTAL TC 647



Department of Revenue

Total Statewide Adjustments for FY19

12A_RVTX
Department of Revenue
ADJUSTMENTS TO EXISTING OPERATING BUDGET
Recommended

GEN. FUND	I.A.T.	SELF-GEN.	STAT. DED.	I.E.B.	FEDERAL	TOTAL	T.O.	DESCRIPTION
\$33,892,165	\$285,000	\$67,107,815	\$543,583	\$0	\$0	\$101,828,563	712	Existing Oper Budget as of 12/01/17
A. STATEWIDE STANDARDS								
\$0	\$0	\$469,270	\$0	\$0	\$0	\$469,270	0	2% General Increase Annualization Classified
\$0	\$0	\$2,030	\$0	\$0	\$0	\$2,030	0	2% General Increase Annualization Unclassified
\$0	\$0	\$35,158	\$0	\$0	\$0	\$35,158	0	Structural Annualization Classified
\$0	\$0	\$1,222,344	\$0	\$0	\$0	\$1,222,344	0	Market Rate Classified
\$0	\$0	\$203,526	\$0	\$0	\$0	\$203,526	0	Civil Service Training Series
\$0	\$0	\$102,990	\$0	\$0	\$0	\$102,990	0	Related Benefits Base Adjustment
\$0	\$0	(\$1,409)	\$0	\$0	\$0	(\$1,409)	0	Retirement Rate Adjustment
\$0	\$0	\$749,890	\$0	\$0	\$0	\$749,890	0	Salary Base Adjustment
\$0	\$0	(\$1,733,454)	\$0	\$0	\$0	(\$1,733,454)	0	Attrition Adjustment
\$0	\$0	(\$1,770,282)	\$0	\$0	\$0	(\$1,770,282)	(22)	Personnel Reductions
\$0	\$0	\$420,394	\$6,417	\$0	\$0	\$426,811	0	Acquisitions & Major Repairs
\$0	\$0	(\$230,816)	\$0	\$0	\$0	(\$230,816)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$0	(\$1,217,253)	\$0	\$0	\$0	(\$1,217,253)	0	Non-recurring Carryforwards
\$0	\$0	(\$82,719)	\$0	\$0	\$0	(\$82,719)	0	Risk Management
\$0	\$0	\$78,056	\$0	\$0	\$0	\$78,056	0	Legislative Auditor Fees
\$0	\$0	(\$15,651)	\$0	\$0	\$0	(\$15,651)	0	Rent in State-Owned Buildings
\$0	\$0	(\$22,148)	\$0	\$0	\$0	(\$22,148)	0	Capitol Park Security
\$0	\$0	(\$1,893)	\$0	\$0	\$0	(\$1,893)	0	UPS Fees
\$0	\$0	(\$11,705)	\$0	\$0	\$0	(\$11,705)	0	Civil Service Fees
\$0	\$0	\$47,227	\$0	\$0	\$0	\$47,227	0	State Treasury Fees



Department of Revenue

Total Statewide Adjustments for FY19

\$0	\$0	\$1,433,105	\$0	\$0	\$0	\$1,433,105	0	Office of Technology Services (OTS)
\$0	\$0	\$3,180	\$0	\$0	\$0	\$3,180	0	Administrative Law Judges
\$0	\$0	\$20,393	\$0	\$0	\$0	\$20,393	0	Office of State Procurement
(\$939,215)	\$0	\$939,215	\$0	\$0	\$0	\$0	0	TOTAL MEANS OF FINANCING SUB ADJUSTMENT
\$0	\$0	(\$616,848)	\$0	\$0	\$0	(\$616,848)	0	TOTAL NON-RECURRING OTHER ADJUSTMENT
(\$2,283,617)	\$0	\$272,677	\$0	\$0	\$0	(\$2,010,940)	0	TOTAL OTHER ADJUSTMENTS ADJUSTMENT
\$30,669,333	\$285,000	\$67,403,092	\$550,000	\$0	\$0	\$98,907,425	690	Total Budget
(\$3,222,832)	\$0	\$295,277	\$6,417	\$0	\$0	(\$2,921,138)	(22)	Total Adjustments



Department of Revenue

Significant Increases for FY19

Increase	Source	T.O.	Agency	Description
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Significant Decreases for FY19

Decrease	Source	T.O.	Agency	Description
(\$2,283,617)	SGF	0	Office of Revenue	Reduction in State General Fund for wage personnel, the State Reciprocal Program and adult consulting services and legal representation.
(\$616,848)	FSGR	0	Office of Revenue	Non-recurs Fees and Self-generated Revenues funding for the Consumer Use Tax. This is due to Act 22 of the 2016 First Extraordinary Session which amended R.S. 47:302(K)(7)(a), eliminating the appropriation by the legislature for this distribution. The distribution will now be funded from the current collections of the tax.

Significant Means of Financing Substitutions for FY19

MOF Swap	Source	T.O.	Agency	Description
(\$939,215)	SGF	0	Office of Revenue	Decrease in State General Fund to properly budget the anticipated Fees and Self-generated Revenues collections for Fiscal Year 19.
\$939,215	FSGR	0	Office of Revenue	Increase in Fees and Self-generated Revenues to adjust for projected increased collections in Fiscal Year 19.



Incentive Expenditure Forecast

Schedule 12 Department of Revenue

Incentive Expenditure Forecast

In accordance with Act 401 of the 2017 Regular Session, below is the listing of the incentive expenditure programs as recognized by the Revenue Estimating Conference on December 14, 2017. This department administers the following incentive expenditure programs:

INCENTIVE EXPENDITURES: FORECAST

AUTHORITY

Louisiana Capital Companies Tax Credit Program
Procurement Processing Company Rebate Program

R.S. 51:1921	\$ Negligible
R.S. 47:6351	\$ 7,000,000

Payment from Current Collections:

The payment provision for the quality jobs rebate program is R.S. 51:2457(B)(3)(b) & (c). These payments are made out of current collections of the sales tax. The total amount of rebates paid under this program in FYE 2017 was \$99 million.



Incentive Expenditure Forecast

INCENTIVE EXPENDITURE FORECAST FISCAL YEAR 2017-2018 (in Million \$)

INCENTIVE EXPENDITURE	Legal Authority	Adm. Agency	FYE 6-17 (Projected)	FYE 6-17 (Actual)	FYE 6-18 (Projected) (12/14/17)	FYE 6-18 (Projected) (04/12/18)	FYE 6-19 (Projected) (12/14/17)	FYE 6-19 (Projected) (04/12/18)
Atchafalaya Trace Heritage Area Development Zone	R.S. 25:1226	CRT/LED	Unable to anticipate	\$0	Not in effect	\$0	Not in effect	\$0
Cane River Heritage Tax Credit	R.S. 47:6026	CRT	Unable to anticipate	\$0	Unable to anticipate	Unable to anticipate	Unable to anticipate	Unable to anticipate
Tax Credit for Rehabilitation of Historic Structures	R.S. 47:6019	CRT/LDR	\$64,391,000	\$91,902,642	\$78,000,000	\$78,000,000	\$80,000,000	\$80,000,000
Subtotal		CRT	\$64,391,000	\$91,902,642	\$78,000,000	\$78,000,000	\$80,000,000	\$80,000,000
Brownfields Investor Tax Credit	R.S. 47:6021	DEQ	\$25,000	\$17,652	\$40,000	\$40,000	Negligible	Negligible
Subtotal		DEQ	\$25,000	\$17,652	\$40,000	\$40,000	\$0	\$0
Louisiana Community Economic Development Act	R.S. 47:6031	LED	Unable to anticipate	\$0	Sunset in 2010	Not in effect	Sunset in 2010	Not in effect
Ports of Louisiana Tax Credits	R.S. 47:6036	LED	Unable to anticipate	\$0	Unable to anticipate	Unable to anticipate	Unable to anticipate	Unable to anticipate
Motion Picture Investor Tax Credit (See Note 1)	R.S. 47:6007	LED	\$205,833,000	\$205,833,457	\$180,000,000	\$180,000,000	\$180,000,000	\$180,000,000
Research and Development Tax Credit	R.S. 47:6015	LED	\$26,658,000	\$5,386,914	\$8,000,000	\$8,000,000	\$9,000,000	\$9,000,000
Digital Interactive Media and Software Act	R.S. 47:6022	LED	\$11,749,000	\$9,885,415	\$30,000,000	\$30,000,000	\$50,000,000	\$50,000,000
Louisiana Motion Picture Incentive Act	R.S. 47:1121	LED/OFI	\$0	\$0	Not in effect	Not in effect	Not in effect	Not in effect
New Markets Tax Credit (See Note 2)	R.S. 47:6016	LED/LDR	\$1,111,000	\$1,459,027	\$1,000,000	\$1,000,000	Unable to anticipate	Unable to anticipate
University Research and Development Parks	R.S. 17:3389	LED	Negligible	\$0	\$0	Not in effect	\$0	Not in effect
Industrial Tax Equalization Program	R.S. 47:3201 -3205	LED	\$1,833,000	\$14,529,182	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Exemptions for Manufacturing Establishments	R.S. 47:4301 -4306	LED	Unable to anticipate	\$0	Unable to anticipate	Unable to anticipate	\$1,500,000	\$1,500,000
Louisiana Enterprise Zone Act	R.S. 51:1781	LED	\$47,393,000	\$41,081,153	\$40,000,000	\$40,000,000	\$50,000,000	\$50,000,000
Sound Recording Investor Tax Credit	R.S. 47:6023	LED	\$307,000	\$81,550	\$200,000	\$200,000	\$2,000,000	\$2,000,000
Urban Revitalization Tax Incentive Program	R.S. 51:1801	LED	Unable to anticipate	\$0	Not in effect	Not in effect	Not in effect	Not in effect
Technology Commercialization Credit and Jobs Program	R.S. 51:2351	LED	\$123,000	\$57,076	\$100,000	\$100,000	Not in effect	Not in effect
Angel Investor Tax Credit Program	R.S. 47:6020	LED	\$792,000	\$1,535,732	\$200,000	\$2,000,000	\$3,000,000	\$3,000,000
Musical and Theatrical Productions Income Tax Credit	R.S. 47:6034	LED	\$9,552,000	\$6,100,794	\$7,800,000	\$7,800,000	\$6,000,000	\$6,000,000
Retention and Modernization Act	R.S. 51:2399.1 - .6	LED	\$1,236,000	\$3,643,558	\$5,000,000	\$5,000,000	\$6,000,000	\$6,000,000
Tax Credit for Green Jobs Industries	R.S. 47:6037	LED	Not in effect	Not in effect	Not in effect	Not in effect	Not in effect	Not in effect
Louisiana Quality Jobs Program Act	R.S. 51:2451	LED	\$291,495,000	\$99,342,295	\$100,000,000	\$100,000,000	\$150,000,000	\$150,000,000
Corporate Headquarters Relocation Program	R.S. 51:3111	LED	Unable to anticipate	\$0	Not in effect	Not in effect	Not in effect	Not in effect
Competitive Projects Payroll Incentive Program	R.S. 51:3121	LED	Unable to anticipate	\$0	\$400,000	\$400,000	\$500,000	\$500,000
Subtotal		LED	\$598,082,000	\$388,936,153	\$376,700,000	\$378,500,000	\$462,000,000	\$462,000,000
Louisiana Capital Companies Tax Credit Program (See Note 3)	R.S. 51:1921	LDR	\$1,838,000	\$18,626	Negligible	Negligible	Negligible	Negligible
Procurement Processing Company Rebate Program	R.S. 47:6351	LDR	\$2,400,000	\$4,211,331	\$5,000,000	\$11,500,000	\$7,000,000	\$15,000,000
Subtotal		LDR	\$4,238,000	\$4,229,957	\$5,000,000	\$11,500,000	\$7,000,000	\$15,000,000
Rebates for Donations to School Tuition Organizations	R.S. 47:6301	DOE	\$2,600,000	\$3,139,789	\$11,500,000	\$7,200,000	\$15,000,000	\$8,000,000
Subtotal		DOE	\$2,600,000	\$3,139,789	\$11,500,000	\$7,200,000	\$15,000,000	\$8,000,000
TOTAL			\$669,336,000	\$488,226,193	\$471,240,000	\$475,240,000	\$564,000,000	\$565,000,000

Negligible means less than \$10,000

Note 1 - Motion Picture Investor Credits sold to the state under the buy back provisions of R.S. 47:6007 are accounted for based on when the check associated with the buy back is issued rather than the date the credit is transferred to the state for buy back. The FYE 6-16 revenue loss includes the amount of \$57,068,973 for buy backs transferred to the state in FYE 6-15, prior to the enactment of the program cap. The projected and actual for FYE 6-17 includes the unused credit cap carry forward of \$25,833,457 from FYE 6-16. FYE 6-18 projection is limited to the \$180,000,000 credit cap set forth in Acts 2015, No. 134.

Note 2 - New Markets Jobs Act, R.S. 47:6016.1, reduced insurance premium taxes by \$4,675,020 in FYE 6-17.

Note 3 - Louisiana Capital Companies Tax Credit Program also allows a credit against insurance premium taxes; reducing insurance premium taxes by \$122,903 in FYE 6-17.



Department of Revenue Office of Debt Recovery

The Office of Debt Recovery (ODR) was established by Act 399 of the 2013 Regular Session. It is an office within the Department of Revenue created to collect delinquent taxes and other debt on behalf of other state agencies. All agencies without contracts with the Attorney General's office (by January 1, 2014) referred all outstanding final debt to ODR.

There are currently 106 Agency Participation Agreements as of March 31.

ODR Collections Since Inception	\$115,012,827
FY2018 / March 2018	\$23,447,054
FY2017	\$40,684,681
FY2016	\$50,784,439
FY2015	\$96,653



Department of Revenue

Changes from FY19 Recommended to FY19 Re-engrossed

Changes from FY19 Recommended to FY19 Re-engrossed	Source	T.O.	Agency	Description
--	--	--	--	No adjustments.

Total Funding	FY18 EOB as of 12-1-17	FY19 Recommended	<i>Difference FY19 Recommended vs. FY18 EOB as of 12-1-17</i>	FY19 Re-engrossed	<i>Difference FY19 Re- engrossed vs. FY18 EOB as of 12-1-17</i>	<i>Difference FY19 Re- engrossed vs. FY19 Recommended</i>
Tax Collection	\$ 93,307,017	\$ 90,157,628	\$ (3,149,389)	\$ 90,157,628	\$ (3,149,389)	\$ -
Alcohol and Tobacco Control	\$ 6,201,312	\$ 6,378,473	\$ 177,161	\$ 6,378,473	\$ 177,161	\$ -
Office of Charitable Gaming	\$ 2,320,234	\$ 2,371,324	\$ 51,090	\$ 2,371,324	\$ 51,090	\$ -
TOTAL	\$101,828,563	\$ 98,907,425	\$ (2,921,138)	\$ 98,907,425	\$ (2,921,138)	\$ -
Total Authorized FTEs	712	690	(22)	690	(22)	-