



Karl Couvillon

FY16 Executive Budget

Schedule 12 Department of Revenue



**Louisiana Senate
Finance Committee
May 11, 2015**

FY16 Executive Budget

Schedule 12 — Revenue Agencies

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

- 12-440 Office of Revenue
 - 440-1000 Tax Collection
 - 440-3000 Alcohol and Tobacco Control
 - 440-4000 Office of Charitable Gaming

Audit Findings

Department of Revenue
LOUISIANA OFFICE OF ALCOHOL AND TOBACCO CONTROL
• MARCH 12, 2014

The Office of Alcohol and Tobacco Control (ATC) needs to strengthen its inspection and complaint resolution processes. While ATC did improve the timeliness with which it issued alcohol permits, it did not properly assess late fees for late permit renewals, decreased the number of compliance checks by 50%, and did not conduct required routine inspections on 24% of alcohol beverage outlets.

In addition, ATC did not follow up on 54% of the outlets where violations were noted during inspections and did not inspect 82% of the outlets whose permits were suspended within the required five days. ATC also did not develop procedures for its complaint process, including timeframes for when complaints should be addressed and closed. Closed complaints took an average of 40 days to close, while complaints that were open had been open an average of 141 days.

Audit Findings

Department of Revenue
INEFFECTIVE CONTROLS OVER REFUNDS FROM LEGAL SETTLEMENTS
• NOVEMBER 26, 2014

The Louisiana Department of Revenue did not have effective controls in place during fiscal year 2014 to ensure that interest on refunds from legal settlements was accurately calculated, resulting in two corporate refund overpayments totaling more than \$22 million. These two refunds passed five levels of review and approval before being issued, and the department was unaware of the errors until the taxpayers recognized the mistakes and returned the overpayments.

FY16 Executive Budget

Schedule 12 — Departmental Statistics

- In FY14, the total delinquent collections were \$534 million, which was a nine percent increase from the prior year.
- The Department of Revenue reorganized its Field Audit Services into five divisions. The divisions include Audit Intelligence, Audit Review and Appeals, Field Audit Excise Tax, Field Audit Income Tax, and Field Audit Sales Tax.
- The Department performed 1,862 audits, resulting in the collection of an average of \$3.3 million per auditor.
- In FY14, the Department opened cases that led to twenty-two felony fraud arrests and four felony fraud convictions.

Source: Department of Revenue

Revenue

FY15 Existing Operating Budget vs. Proposed FY16 Budget

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	<i>Difference</i>
Revenue	\$ 114,495,255	\$ 95,605,147	<i>\$ (18,890,108)</i>

Total Positions	748	727	<i>(21)</i>
------------------------	------------	------------	--------------------

Other Charges Positions:

FY16 Non-Discretionary Funding

Total Non-Disc.: \$10,666,288

Percent Non-Disc: 8.96%

Total Non-Disc. SGF: \$0

Non-Disc. T.O.: 0

FY16 Discretionary Funding

Total Discretionary: \$84,938,859

Percent Discretionary: 88.8%

Total Discretionary SGF: \$0

Discretionary T.O.: 727

Revenue

Non-Discretionary/Discretionary Funding by Agency

Non-Discretionary Funding:

\$10.5 m. — Tax Collection

\$208,304 — Alcohol and Tobacco Control

\$0 — Charitable Gaming

Non-Discretionary Funding is used to pay rent in State-owned buildings, statutory obligations, retirees' group insurance, and Legislative Auditor fees.

Discretionary Funding:

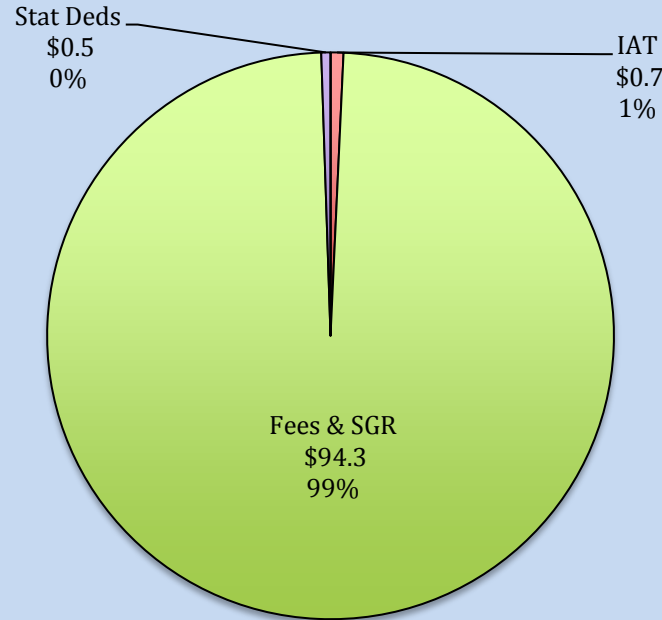
\$77.8 m. — Tax Collection

\$5.3 m. — Alcohol and Tobacco Control

\$1.9 m. — Charitable Gaming

FY16 RVTX Means of Finance

FY16 Total Means of Finance
(In Millions)



Major Non-SGF Sources of Funding:

Ninety-nine percent of the Department of Revenue's funding is derived from Fees and Self-generated Revenues 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 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 the Tobacco Regulation Enforcement Fund (S) provided by a portion of the tax charged to consumers for the purchase of cigarettes.

FY15 Existing Operating Budget vs. FY16 Recommended

Schedule 12 RVTX — Total Expenditures

Expenditure Category	FY15 Existing Operating Budget	FY16 Recommended Budget	Difference
Personal Services	\$66,527,074	\$59,428,212	(\$7,098,862)
Operating Expenses	\$6,040,107	\$4,210,259	(\$1,829,848)
Professional Services	\$11,825,303	\$3,100,000	(\$8,725,303)
Other Charges	\$29,214,932	\$28,724,426	(\$490,506)
Acquisitions & Major Repairs	\$887,839	\$142,250	(\$745,589)
Total Expenditures	\$114,495,255	\$95,605,147	(\$18,890,108)

FY16 Revenue

Selected Standard Statewide Adjustments

Annualization of FY15 Mid-Year Reduction Plan — (\$2.5 million) SGR and (0) T.O.

Performance/Salary Adjustments:

\$471,424 SGR — Annualize Classified State Employees Performance Adjustment

\$1.2 million SGR — Salary Base Adjustment

(\$3.2 million) SGR — Attrition Adjustment

Retirement Adjustments:

\$56,020 SGR — La. State Employees' Retirement System Rate

(\$12,624) SGR — La. State Employees' Retirement System Base

Group Insurance Adjustments (tied to OGB rate increase):

\$396,276 SGR — Group Insurance Rate Adjustment for Active Employees

\$532,147 SGR — Group Insurance Rate Adjustment for Retirees

Other:

\$189,422 SGR— Acquisitions and Major Repairs

\$61,434 SGR — Risk Management

\$99,745 SGR — Office of Technology Services

(\$656,853) SGR — GEMS Savings (procurement)

(\$0) and (21) T.O. — Office of State Human Capital

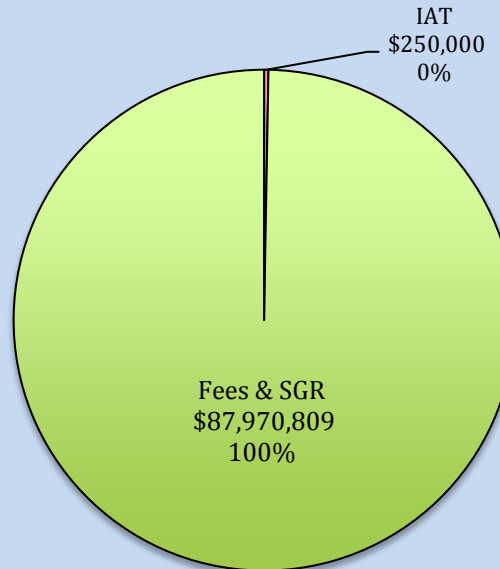
RVTX

440-1000 – Tax Collection

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	Difference
Tax Collection	\$ 105,123,224	\$ 88,220,809	\$ (16,902,415)

Total Positions	673	652	(21)
-----------------	-----	-----	------

FY16 Total Means of Finance



FY16 Non-Discretionary	FY16 Discretionary
\$10,457,984	\$77,762,825

RVTX

440-1000 Tax Collection

Significant FY16 Budget Issues in RVTX – Tax Collection:

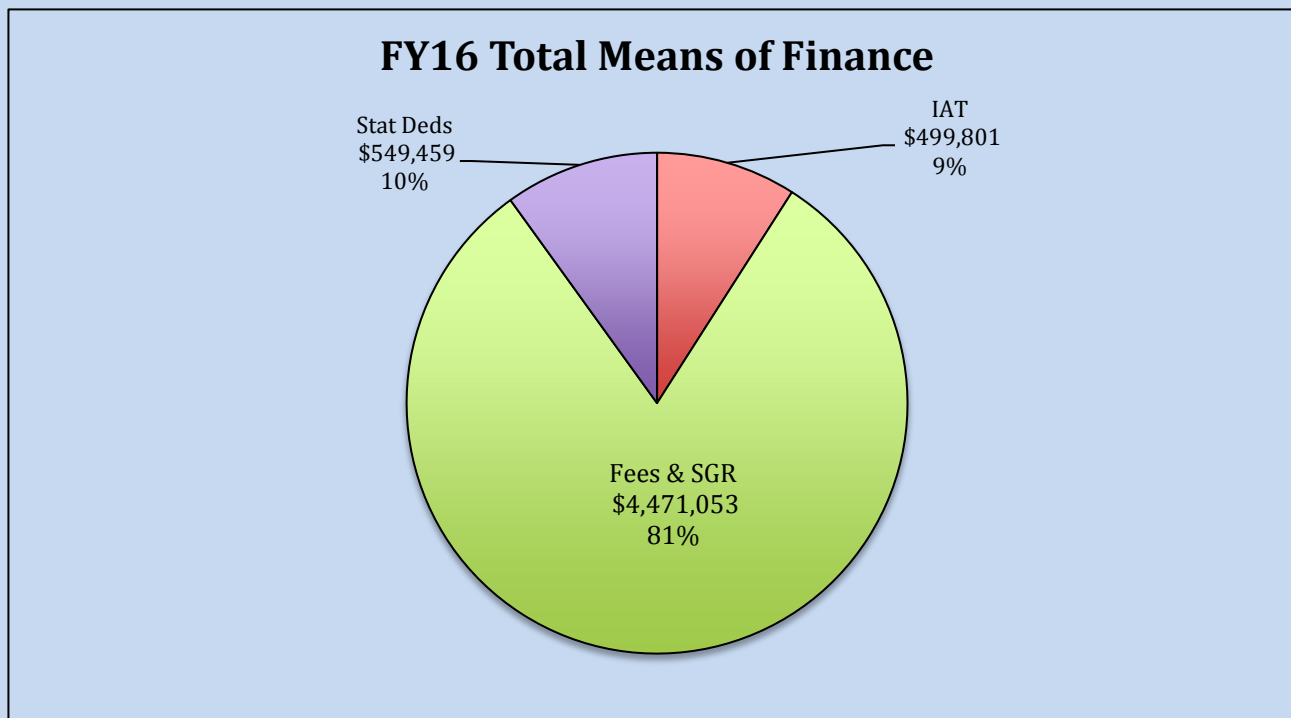
- Reduction of **(\$1.4 million)** SGF – Eliminates nonrecurring funding for judgments.
- Increase of \$470,081 SGR - For Consumer Use Tax distribution to parishes.
- Reduction of **(\$7 million)** SGR - Reduces various expenditure categories to properly align projected expenditures to the projected level of revenue.

RVTX

440-3000 Alcohol and Tobacco Control

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	Difference
ATC	\$ 7,355,555	\$ 5,520,313	\$ (1,835,242)

Total Positions	55	55	-
-----------------	----	----	---



FY16 Non-Discretionary	FY16 Discretionary
\$208,304	\$5,312,009

RVTX

440-3000 Alcohol and Tobacco Control

Significant FY16 Budget Issues in RVTX – ATC:

- Reduction of **(\$328,792)** FED – Non-recurs Federal FDA grant for compliance checks.
- Reduction of **(\$492,629)** SGR — Reduces various expenditure categories to properly align projected expenditures to the projected level of revenue.

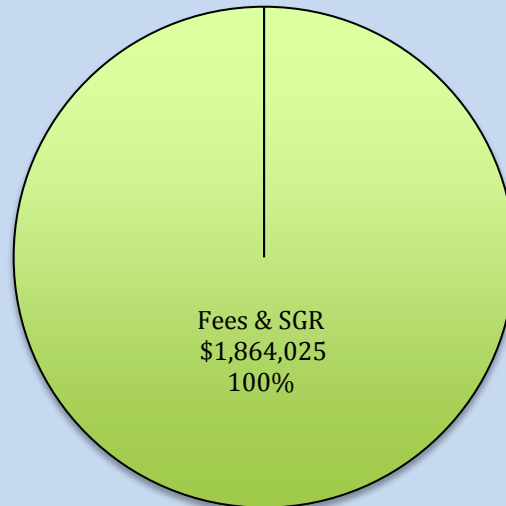
RVTX

440-4000 Office of Charitable Gaming

Total Funding	FY15 EOB as of 12-1-14	FY16 Recommended	Difference
Charitable Gaming	\$ 2,016,476	\$ 1,864,025	\$ (152,451)

Total Positions	20	20	-
-----------------	----	----	---

FY16 Total Means of Finance



FY16 Non-Discretionary	FY16 Discretionary
\$0	\$1,864,025

RVTX

440-4000 Charitable Gaming

Significant FY16 Budget Issues in RVTX – Charitable Gaming:

- There were no significant issues within the Office of Charitable Gaming.