

NH Department of
Revenue Administration
FY 2020 / FY 2021 Efficiency Budget

Governor's Budget Hearings

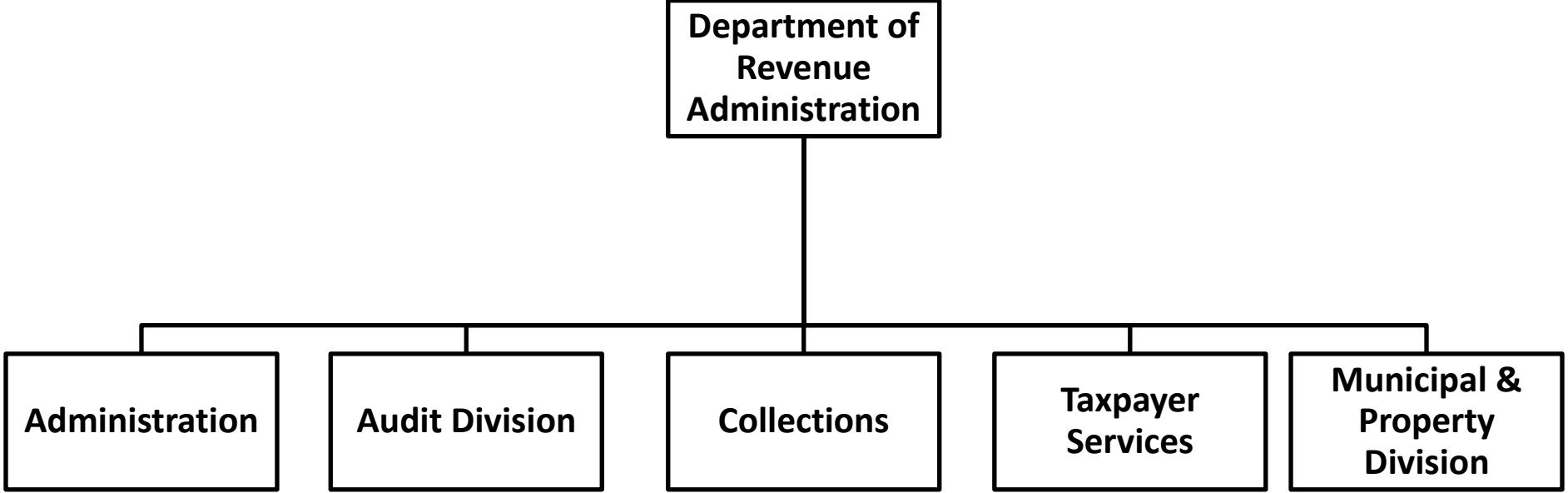
November 20, 2018



Mission



The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we will provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.



FY 2019 / FY 2020 Agency Budget – The Big Picture

- Governor Sununu’s **general fund** target for DRA was a 0.5% increase over the FY19 base for FY20 and a 0.5% increase over FY20 for FY21:
 - Current FY19 budget: **\$18,976,350**
 - 0.5% increase: **\$94,882**
 - Target for FY20: **\$19,071,232**

 - Target for FY20: **\$19,071,232**
 - 0.5% increase: **\$95,356**
 - Target for FY21: **\$19,166,588**

- DRA general fund efficiency budget as submitted:
 - FY20: **\$19,071,232**
 - FY21: **\$19,166,588**

- DRA total funds budget (includes Flood Control and L&M Property Tax Relief Program):
 - Current FY19 budget: **\$21,450,365**
 - FY20 target (0.5% increase for all funds): **\$21,557,617**
 - FY20 efficiency budget as submitted: **\$21,448,367**
 - FY21 target (0.5% increase for all funds): **\$21,665,405**
 - FY21 efficiency budget as submitted: **\$21,546,859**

FY 2020 / FY 2021 Agency Budget Highlights

- Current position count is static – 156 full time classified and unclassified positions.
 - Our general fund operating budget is 70% salary and benefits; we're a department of people, not things or programs.
- DoIT services and positions are maintained.
 - DoIT efficiency budget costs held steady at approximately \$2.8 million per year.
- Funding for critical vendors included (e.g., web-file, equalization & tax rate setting, temp. services, etc.).
- Maintains operational capabilities as we anticipate adjusting resources for Revenue Information Management System (RIMS) project.
- No new major costly initiatives to drive the other 30% (non-salary and benefits).
- Division Directors, Business Office, and other managers worked hard to budget conservatively and accurately, requesting funds for needs not wants.

FY 2020 / FY 2021 Agency Budget – The Big Picture

- The DRA's efficiency budget as submitted covers all current operations, increases in shared services costs, increases in salaries and benefits provided for in the collective bargaining agreement and maintains the current number of authorized positions.
- The DRA's additional prioritized needs include:
 - \$340,000 in FY20 and FY21 for services to assist DRA with Periodic Project Health Assessments for the Revenue Information Management System (RIMS).
 - Health assessments will gauge the vendor's performance on the project, the project timeline, and also DRA's progress in adapting to the new system.
 - One year contract not to exceed \$339,000 was approved by G&C on October 31, 2018 for FY19, with the option of up to three additional one year renewals.

FY 2020 / FY 2021 Agency Budget – The Big Picture

- DoIT direct and shared additional prioritized needs include:
 - \$86,900 in FY20 and \$90,300 in FY21 for hardware maintenance for a second document imaging scanner that was budgeted for, and will be purchased, in FY19.
 - \$45,000 in FY20 for upgrade of Modernized eFile SQL server database. Extended support ends 7/9/19 on current version. Benefits include enhancements, fixes and security updates.
 - \$20,000 in FY20 and FY21 for annual maintenance and support of a US postal database for cleansing to ensure correct addresses that will be used in the migration to the new RIMS system.
 - \$5,000 in FY20 and FY21 for annual maintenance and support of a geographic information system license (ESRI) that will provide Municipal and Property field employees enhanced tools after implementation in FY18 and FY19.
 - \$13,482 in FY20 and \$261 in FY21 for shared software and consultant services with DoIT.
 - \$850 in FY20 and \$450 in FY21 for Skype software in order to increase staff productivity and improve collaboration.

FY 2020 / FY 2021 Agency Budget Highlights

- Flood Control – RSA 122:4
 - \$887,000 (\$259,865 general fund and \$627,135 other funds) in FY20 and \$887,000 (\$256,729 general fund and \$630,271 other funds) in FY21.
 - The Department reimburses cities and towns for lost property taxes resulting from property acquired in the Acquisition of Land by the United States for Navigations and Flood Control.
 - The FY20 and FY21 budget assumes Massachusetts will reimburse their share of 70% of Merrimack River Valley compact as well as 50% of the Connecticut River Valley compact and Connecticut will reimburse their share of 40% of the Connecticut River Valley compact.
 - There is a long history of Massachusetts not paying its obligation timely or sufficiently for the Merrimack River Valley compact, with \$1,992,884 currently outstanding for FY15, FY16, FY17 and FY18 (payments through FY14 have been settled).
 - Governor is authorized to draw a warrant for the payment of such reimbursements out of money in the treasury not otherwise appropriated.
 - Department estimates requesting a warrant be issued for FY19 for \$613,494.

FY 2020 / FY 2021 Agency Budget Highlights

- Low and Moderate Property Tax Relief – RSA 198:57-61
 - Property tax relief program related to the Statewide Education Property Tax, supported by an appropriation from the Education Trust Fund.
 - \$1,750,000 in both FY20 and FY21.
 - Funding is consistent with total program cost for recent years (\$1,434,931 in FY18).
 - Decrease of \$100,000 for FY 2019 Adjusted Authorized.
 - Below FY20 Target of \$1,859,250 and FY21 Target of \$1,868,546.

Update on FY 2018 / FY 2019 Budget Priorities

- Revenue Information Management System (RIMS)
 - DRA received a \$30,160,000 capital appropriation through general funds and other funds to replace the DRA's Tax Information Management System.
 - A comprehensive RIMS request for proposal (RFP) was developed, two proposals were received, reviewed and scored, a vendor was selected and the contract was negotiated. DRA contracted with BerryDunn for assistance with this multi-year process (\$270,000).
 - A contract with Fast Enterprises, LLC was approved by G&C on October 31, 2018 and the vendor has already begun work implementing its commercial off-the-shelf software, GenTax, for tax collection and administration.
 - Implementation will consist of three phases, each taking about a year, and the contract will also include support and maintenance of the system for four years after implementation.
 - Total cost for the seven year contract is \$29,550,000.
 - DRA has also entered into a contract with BerryDunn to provide periodic health assessments that will gauge the vendor's performance on the project, the project timeline, and also DRA's progress in adapting to the new system.

Update on FY 2018 / FY 2019 Budget Priorities

- Staffing
 - Final budget included additional assumed general fund revenue resulting from the establishment of three new positions – Multi-State Auditor, Multi-Entity Auditor, Compliance Officer II.
 - Final budget assumed \$0.4m in additional revenue in FY 2018 and \$3.1m in FY 2019 attributable to the establishment of these new position.
 - Currently, 30 of 32 field audit positions are filled and all eight compliance officer positions are filled.
- Tax Policy
 - DRA and DoIT staff worked diligently to implement and advertise significant tax policy changes during the current biennium, including: Business Profits Tax (BPT) and Business Enterprise Tax (BET) rate reductions, BPT and BET exemptions for regenerative manufacturing companies, BT synchronization to the Internal Revenue Code (IRC) and increasing the IRC section 179 deduction, allowance of the education tax credit against the Interest and Dividends Tax, and several others.
 - DRA staff also actively participated in numerous discussions and presentations regarding the Tax Cuts and Jobs Act of 2017, and various legislative study commissions on topics including legalization of marijuana, the *Wayfair* decision, apportionment of business profits tax and utility property valuation.