

**NH Department of
Revenue Administration
FY 2022 / FY 2023 Efficiency Budget**

Governor's Budget Hearings

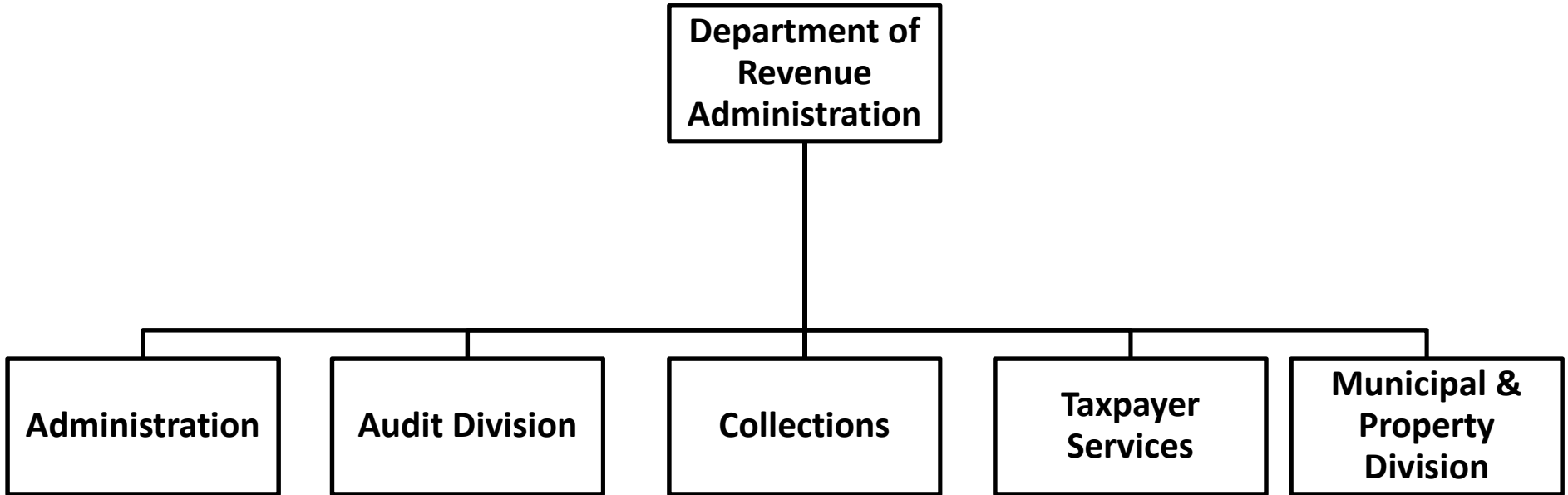
November 19, 2020



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 2022 / FY 2023 Agency Budget – The Big Picture

- DRA's **total funds budget** history:
 - FY20 adj authorized: \$22,665,662
 - FY20 actual: \$19,361,622 (-14.6% from adj auth.)
 - FY21 adj authorized: \$22,923,052
 - FY22 efficiency: **\$19,982,486 (-12.8% from FY21)**
 - FY23 efficiency: **\$20,724,324 (-9.6% from FY21)**

FY 2022 / FY 2023 Agency Budget Highlights

- Current position count has decreased from 157 full time classified and unclassified positions in FY21 to 147 positions in FY22 and FY23.
 - Our general fund operating budget is 75% salary and benefits; we're a department of people, not things or programs.
 - All of the positions that we proposed to unfund are currently vacant.
- DoIT services and positions are maintained.
 - DoIT efficiency budget costs are steady over the biennium but are reduced by approximately 9.8% compared to FY21.
- Funding for some critical vendors, such as equalization & tax rate setting, are included while other vendors, such as temporary keying services, are included as prioritized needs.
- Maintains operational capabilities as we anticipate adjusting resources for Revenue Information Management System (RIMS) project; however RIMS consulting services were eliminated.
- Other reductions include out of state travel, employee training and overtime. While reductions can be achieved in these areas, some amounts were included as prioritized needs to maintain quality audits, employees, and customer service that DRA strives for.
- Division Directors, Business Office, and other managers worked hard to budget conservatively and accurately, requesting funds for needs not wants.

FY 2022 / FY 2023 Agency Budget – Prioritized Needs

- The DRA’s efficiency budget as submitted maintains all current operations, however, there are certain areas where DRA has requested additional funding in the form of prioritized needs.
- The DRA’s additional prioritized needs include:
 - Priority #1 – Auditing for Compliance
 - Funding three positions in the Audit Division and increasing funding for out-of-state travel:

• FY22 Salary and Benefits:	\$248,042
• <u>FY22 Out-of-State Travel:</u>	<u>\$ 40,000</u>
• FY22 Total:	\$288,042
• FY23 Salary and Benefits:	\$267,780
• <u>FY23 Out-of-State Travel:</u>	<u>\$ 50,000</u>
• FY23 Total:	\$317,780
 - Additional positions include a tobacco auditor, an in-state auditor and a multi-entity auditor.
 - The out-of-state travel will support the multi-state audit bureau.

FY 2022 / FY 2023 Agency Budget – Prioritized Needs (continued)

- The DRA’s additional prioritized needs include:
 - Priority #2 – Taxpayer Services for Timely Processing and Customer Service
 - Funding three positions in the Taxpayer Services Division, funding the temporary keying services contract and increasing employee training:

• FY22 Salary and Benefits:	\$240,432
• FY22 Temp Services:	\$ 50,000
• <u>FY22 Training:</u>	<u>\$ 5,000</u>
• FY22 Total:	\$295,432
• FY23 Salary and Benefits:	\$253,033
• FY23 Temp Services:	\$ 50,000
• <u>FY23 Training:</u>	<u>\$ 5,000</u>
• FY23 Total:	\$308,033
 - Additional positions and temporary keying services contract help ensure timely processing of documents .
 - The training will be focused on customer service for call center and taxpayer assistance employees.

FY 2022 / FY 2023 Agency Budget – Prioritized Needs (continued)

- The DRA’s additional prioritized needs include:
 - Priority #3 – Collections and Audit Staffing for Compliance
 - Funding two positions in the Audit Division and one position in the Collections Division:
 - FY22 Salary and Benefits: \$340,467
 - FY23 Salary and Benefits: \$364,568
 - Additional positions in the Audit Division include both in-state and multi-state auditors.
 - The additional Collection position is responsible for more complex collection actions and overseeing Compliance Officers.
 - Priority #4 – DoIT and DAS
 - Shared services costs passed to DRA for continued operations:
 - FY22 DoIT: \$ 67,981
 - FY22 DAS: \$ 91,561
 - FY22 Total: \$159,542

 - FY23 DoIT: \$ 64,398
 - FY23 DAS: \$ 90,332
 - FY23 Total: \$154,730

FY 2022 / FY 2023 Agency Budget – Prioritized Needs (continued)

- The DRA’s additional prioritized needs were carefully selected and are not looking to just restore funding to FY21 levels:
 - FY21 adj authorized: \$22,923,052
 - FY22 efficiency: \$19,982,486 (-12.8% from FY21)
 - FY22 efficiency plus Prioritized Needs #1, #2 and #3
\$20,906,427 (-8.8% from FY21)
 - FY23 efficiency: \$20,724,324 (-9.6% from FY21)
 - FY23 efficiency plus Prioritized Needs #1, #2 and #3
\$21,714,705 (-5.3% from FY21)

FY 2022 / FY 2023 Agency Budget Highlights

- Flood Control – RSA 122:4
 - \$887,000 (\$256,729 general fund and \$630,271 other funds) in FY22 and \$887,000 (\$256,729 general fund and \$630,271 other funds) in FY23.
 - 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 FY22 and FY23 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 \$2,991,436 currently outstanding for FY15 through FY20 (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 FY21 for \$616,614.

FY 2022 / FY 2023 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.
 - \$800,000 in both FY22 and FY23.
 - Funding reflects a decline in total program cost over the past few years:
 - FY18: \$1,243,340
 - FY19: \$1,103,630
 - FY20: \$705,122

Update on FY 2020 / FY 2021 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 contract with Fast Enterprises, LLC was approved by G&C on October 31, 2018 to implement its commercial off-the-shelf software, GenTax, for tax collection and administration with a total cost of \$29,550,000.
 - Rollout 1 went live on October 28, 2019 with the Meals and Rentals Tax, Medicaid Enhancement Tax and Nursing Facility Quality Assessment
 - Rollout 2 went live on October 5, 2020 with the Business Profits Tax, Business Enterprise Tax, Interest and Dividends Tax and Communication Services Tax
 - Rollout 3 is on schedule for go live on August 9, 2021 with the Real Estate Transfer Tax, Tobacco Tax, Utility Property Tax, Gravel Tax, Timber Tax, Railroad and Private Car Tax.
 - Rollout 1 and Rollout 2 were very successful and we anticipate a similar outcome for Rollout 3.
 - Current contract includes four years of support and maintenance on the system after Rollout 3, with optional extensions.

Update on FY 2020 / FY 2021 Budget Priorities

- RIMS Health Assessments
 - The DRA's additional prioritized need included \$340,000 in FY20 and FY21 for services to assist DRA with Periodic Project Health Assessments for RIMS to gauge the vendor's performance on the project, the project timeline, and also DRA's progress in adapting to the new system.
 - To date BerryDunn has completed six Project Health Assessments, all of which gave the project an overall score of "5" or "outstanding" with no actions or changes recommended.
- Staffing
 - Final FY2020/FY2021 budget included additional positions in the Audit Division:
 - In-State and Multi-Entity Auditors funded in FY20 and FY21
 - Two Multi-State Auditors funded for half of FY20 (1/1/20) and all of FY21
 - Multi-State Auditor funded in FY21
 - All of these positions remain unfilled.
 - The In-State Auditor, Multi-Entity Auditor and one Multi-State Auditor positions are included in our prioritized needs for FY22 and FY23.