Department of Revenue

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	935.0	935.0	860.3 [1/]
Personal Services	28,539,100	31,770,500	31,770,500
Employee Related Expenditures	11,542,100	13,865,200	13,988,000
Professional and Outside Services	5,619,400	3,865,100	3,865,100
Travel - In State	269,600	273,700	273,700
Travel - Out of State	364,400	342,800	342,800
Other Operating Expenditures	8,282,600	6,995,600	8,449,500
Equipment	3,103,100	562,400	1,252,400
OPERATING SUBTOTAL	**57,720,300**	**57,675,300**	**59,942,000**
SPECIAL LINE ITEMS			
BRITS Operational Support	5,580,600	5,637,500	7,452,200
Ch. 176 Government Land; Private Land; Study	0	0	132,200
Temporary Collectors	2,924,500	2,887,700	2,887,700 [2/]
Unclaimed Property Administration and Audit	469,800	1,770,000	1,770,000 [3/]
AGENCY TOTAL	**66,695,200**	**67,970,500** [4/]	**72,184,100** [5/6/7/]
FUND SOURCES			
General Fund	43,249,600	44,311,100	45,442,100
Other Appropriated Funds			
Department of Revenue Administrative Fund	22,488,500	22,606,800	24,990,700
Liability Setoff Fund	284,000	385,100	1,080,100
Tobacco Tax and Health Care Fund	673,100	667,500	671,200
SUBTOTAL - Other Appropriated Funds	23,445,600	23,659,400	26,742,000
SUBTOTAL - Appropriated Funds	**66,695,200**	**67,970,500**	**72,184,100**
Other Non-Appropriated Funds	35,305,300	27,867,000	27,867,000
TOTAL - ALL SOURCES	102,000,500	95,837,500	100,051,100

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury, and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

1/ Includes 38.0 GF FTE Positions funded from Special Line Items in FY 2013.

2/ The $2,887,700 appropriated from the State General Fund for Temporary Collectors is to collect established debt. The department shall report its results to the Joint Legislative Budget Committee on or before January 31, 2013. (General Appropriations Act footnote, as adjusted for statewide allocations)

3/ If 12.5% of the total dollar value of properties recovered by unclaimed property contract auditors exceeds $1,770,000, the excess amount shall be transferred from the State General Fund to the DOR Administrative Fund and appropriated to the department for contract auditor fees. (General Appropriation Act footnote)

4/ In addition to these amounts, a total of $1,106,700 GF and $531,700 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

6/ The department shall report the department's General Fund revenue enforcement goals for FY 2013 to the Joint Legislative Budget Committee by July 31, 2012. The department shall provide an annual progress report to the Joint Legislative Budget Committee as to the effectiveness of the department's overall Enforcement and Collections Program for FY 2013 by July 31, 2013. The reports shall include a comparison of projected and actual General Fund revenue enforcement collections for FY 2013. (General Appropriation Act footnote)

7/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Operating Budget

The budget includes $59,942,000 and 805.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	$36,771,200
DOR Administrative Fund	21,419,500
Liability Setoff Fund	1,080,100
Tobacco Tax and Health Care Fund	671,200

These amounts fund the following adjustments:

Statewide Adjustments
The budget includes an increase of $1,576,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	985,300
DOR Administrative Fund	582,700
Liability Setoff Fund	5,000
Tobacco Tax and Health Care Fund	3,700

(Please see the Agency Detail and Allocations section.)

FTE Reduction
The budget includes a decrease of (91.7) FTE Positions from the General Fund in FY 2013. *(Please see Other Issues.)*

Liability Setoff Software
The budget includes an increase of $690,000 from the Liability Setoff Fund in FY 2013 for a new Debt Setoff computer program. The new program would allow DOR to utilize income tax refunds to offset debts owed to the courts, political subdivisions, the state, or the federal government.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes $7,452,200 and 55.0 FTE Positions in FY 2013 for operational support of BRITS. These amounts consist of:

General Fund	5,651,000
DOR Administrative Fund	1,801,200

These amounts fund the following adjustments:

Statewide Adjustments
The budget includes an increase of $13,500 from the General Fund in FY 2013 for statewide adjustments.

BRITS Upgrades
The budget includes an increase of $1,801,200 from the DOR Administrative Fund in FY 2013 for BRITS upgrades. In addition, monies appropriated to the Department of Administration Automation Upgrade Fund may be used for this project.

FTE Authority Increase
The budget includes an increase of 17 FTE Positions from the DOR Administrative Fund in FY 2013 for increased FTE authority.

Monies in this line item are used for annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system. BRITS is the state's computer system for collecting and processing tax data.

Ch. 176 Government Land; Private Land; Study

The budget includes $132,213 from the General Fund in FY 2013 for distribution to county assessors for a Property Status Study Report. This amount funds the following adjustments:

Property Status Study
The budget includes an increase of $132,213 from the General Fund in FY 2013 for DOR to contract with each of the 15 county assessors for a Property Status Study Report.

Laws 2012, Chapter 176 requires DOR to enter into a contract with each of the county assessors for the purpose of conducting a property status study report. The report will identify the total amount of private property, private property that is tax exempt, private property that is in conservation status, federally held lands in conservation areas, and municipal and county held lands in conservation areas within each county. DOR is to report the results of the study to the Governor and Legislature by December 31, 2013. The monies are to be used to help defray the costs for county assessors.

To offset the appropriation, the bill reverts the $132,213 remaining from the FY 2008 appropriation to the Arizona Department of Water Resources for the Upper San Pedro Water District technical assistance line item.

Temporary Collectors

The budget includes $2,887,200 from the General Fund in FY 2013 for Temporary Collectors. This amount is unchanged from FY 2012.

Monies in this line item are used to hire temporary collectors to assist in the collection of already established debt.

Unclaimed Property Administration and Audit

The budget includes $1,770,000 from the DOR Administrative Fund in FY 2013 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2012.

Monies in this line item are used for the administrative costs of unclaimed or abandoned property. Contract auditors retain 12.5% of the dollar value of properties they recover. This amount is currently estimated at $1,770,000.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Revenue includes a reduction of (88.9) GF and (2.8) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above. Of the (91.7) FTE Position reduction, (88.0) have been allocated to the operating budget and (3.7) to the BRITS Special Line Item.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of $1,906,400 for Attorney General services. The Department of Revenue share of this Non-General Fund charge will be $4,900. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.