

REVENUE

Budget Summary							
Fund	2022-23 Base Year Doubled	2023-25 Governor	2023-25 Jt. Finance	Joint Finance Change to:			
				Governor		Base	
				Amount	Percent	Amount	Percent
GPR	\$385,260,600	\$393,459,300	\$410,283,900	\$16,824,600	4.3%	\$25,023,300	6.5%
PR	42,626,600	46,459,700	44,188,800	- 2,270,900	- 4.9	1,562,200	3.7
SEG	<u>59,510,400</u>	<u>79,852,300</u>	<u>47,661,000</u>	<u>- 32,191,300</u>	- 40.3	<u>- 11,849,400</u>	- 19.9
TOTAL	\$487,397,600	\$519,771,300	\$502,133,700	- \$17,637,600	- 3.4%	\$14,736,100	3.0%

FTE Position Summary					
Fund	2022-23 Base	2024-25 Governor	2024-25 Jt. Finance	Joint Finance Change to:	
				Governor	2022-23 Base
GPR	950.15	983.15	952.15	- 31.00	2.00
PR	135.40	140.00	131.00	- 9.00	- 4.40
SEG	<u>92.45</u>	<u>96.45</u>	<u>94.65</u>	<u>- 1.80</u>	<u>2.20</u>
TOTAL	1,178.00	1,219.60	1,177.80	- 41.80	- 0.20

Budget Change Items

Departmentwide

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 105]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	- \$3,681,900	- \$2,533,000	- \$6,214,900
PR	572,200	0	572,200
SEG	<u>532,300</u>	<u>- 188,000</u>	<u>344,300</u>
Total	- \$2,577,400	- \$2,721,000	- \$5,298,400

Governor: Provide adjustments to the base budget for: (a) turnover reduction (-\$1,899,300 GPR and -\$141,200 SEG annually); (b) full funding of continuing position salaries and fringe

benefits (\$324,100 GPR, \$132,900 PR, and \$252,800 SEG annually); (c) reclassifications and semiautomatic pay progression (\$148,200 PR and \$26,900 SEG in 2023-24 and \$210,900 PR and \$36,100 SEG in 2024-25); (d) full funding of lease and directed moves costs (-\$271,400 GPR, -\$26,600 PR, and \$123,000 SEG in 2023-24 and -\$260,100 GPR, -\$26,100 PR, and \$123,100 SEG in 2024-25); and (e) minor transfers within the same alpha appropriation.

Joint Finance: Include provision with the following modification. Increase the rate used to calculate turnover reduction from 3% to 5% for all appropriations subject to a 3% turnover rate. Reduce funding under the turnover reduction standard budget adjustment by \$1,266,500 GPR and \$94,000 SEG annually.

2. AGENCY SUPPLIES AND SERVICES FUNDING INCREASE *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$1,006,000	-\$1,006,000	\$0

3. EQUITY OFFICER POSITION *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base) Funding Positions		Jt. Finance (Chg. to Gov) Funding Positions		Net Change Funding Positions	
GPR	\$170,800	1.00	-\$170,800	-1.00	\$0	0.00

4. MINOR TRANSFERS BETWEEN APPROPRIATIONS [LFB Paper 670]

Governor: Transfer \$276,900 GPR and 3.0 positions annually from the Department of Revenue's (DOR) collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation to create the Office of Communications in the Secretary's Office. According to DOR, the purpose of the Office of Communications would be to align the Department's internal and external communications under one manager. The Department indicates that the positions would be transferred from the Division of Income, Sales, and Excise Tax; two of the positions are communications positions and the third position is a vacant revenue tax representative.

Transfer \$329,700 GPR and 3.0 FTE positions annually from DOR's collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation to create the Engagement & Strategy Section in the Enterprise Services Division. According to DOR, the Engagement & Strategy Section would be focused on learning, engagement and retention, and promoting and supporting effectiveness, efficiency, and

strategic success. DOR indicates that the positions that would be transferred consist of two vacant revenue auditor 1 positions and one vacant revenue agent position in the Division of Income, Sales, and Excise Tax. The Department does not estimate an effect on state tax collections as a result of the proposed transfer because the positions are currently vacant.

Finally, transfer \$33,800 GPR from its collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation for general overhead costs.

Joint Finance: Transfer \$195,900 GPR and 2.0 communications positions annually from DOR's collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation to create the Office of Communications in the Secretary's Office. The Joint Finance provision transfers \$444,500 less funding and 4.0 fewer positions than under the Governor's recommendation.

5. GENERAL PROGRAM OPERATIONS APPROPRIATIONS REDUCTIONS GPR - \$2,753,600

Joint Finance: Reduce funding for the following DOR general program operations appropriations annually: (a) \$392,400 in the state and local finance -- general program operations appropriation; and (b) \$984,400 in the administrative services and space rental -- general program operations appropriation.

Tax Administration

1. DELINQUENT TAX COLLECTION AGENTS [LFB Paper 670]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$1,504,800	11.00	-\$1,504,800	- 11.00	\$0	0.00
GPR-Tax	\$20,100,000		-\$20,100,000		\$0	

Governor: Provide \$677,300 in 2023-24 and \$827,500 in 2024-25 and 11.0 positions annually to enhance delinquent tax collection efforts. According to DOR, these positions would consist of nine revenue agents, one revenue agent supervisor, and one revenue agent lead. The administration indicates that DOR is unable to attain its full collection potential of taxes owed under current law at its current staffing levels. It is estimated that this provision would increase general fund tax collections by \$4,000,000 in 2023-24 and \$16,100,000 in 2024-25 and annually thereafter.

Joint Finance: Provision not included.

2. CONVERT REVENUE AGENT PROJECT POSITIONS TO PERMANENT POSITIONS [LFB Paper 670]

Governor: Convert 38.0 GPR project positions to permanent positions and maintain current funding of \$2,017,500 GPR for position salaries and \$842,100 GPR for fringe benefits, annually. The 38 project positions are located within DOR's Division of Income, Sales, and Excise Tax, and consist of: (a) 17 audit revenue agent positions and one supervisor position in the Division's Audit Bureau; and (b) 19 tax collection revenue agent positions and one supervisor position in the Division's Compliance Bureau.

These positions were created by 2017 Act 59 and are scheduled to expire on June 30, 2025. The Administration indicates that allowing the positions to expire would result in an increase of unpaid delinquent taxes and would reduce general fund tax collections by an estimated \$39.3 million annually, offsetting the annual reduction of \$2,859,600 GPR associated with the expiration of these project positions, beginning in 2025-26.

Joint Finance: Extend the expiration of the 38.0 GPR project positions provided to DOR under 2017 Act 59 from June 30, 2025, to September 30, 2025. Direct the Department of Administration to provide salary and fringe in preparing the base for the 2025-27 biennial budget sufficient to extend the 38 project positions through September 30, 2025.

3. ADVANCED TECHNOLOGY SYSTEM PROJECT [LFB Paper 672]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$1,950,000	\$0	\$1,950,000
PR	<u>1,950,000</u>	<u>0</u>	<u>1,950,000</u>
Total	\$3,900,000	\$0	\$3,900,000
GPR-Tax	\$7,600,000	\$0	\$7,600,000
PR-REV	\$0	\$480,000	\$480,000
GPR-REV	- 1,950,000	480,000	- 1,470,000

Governor: Provide \$1,350,000 GPR and \$1,350,000 PR in 2023-24 and \$600,000 GPR and \$600,000 PR in 2024-25 for supplies and services to implement an advanced technology system in DOR's Compliance Bureau. The Administration indicates that this system would utilize data analytics to enhance collections of both delinquent taxes and debts owed to local governments and state agencies by \$10,800,000 annually once the program is fully operational. The Administration estimates that 70% (\$7,600,000 annually) of enhanced collections would come from delinquent general fund taxes, beginning in 2024-25. The remaining 30% (\$3,200,000 annually) of enhanced collections would come from debts owed to state agencies and local governments under the Statewide Debt Collection (SDC) program, beginning in 2024-25.

Under DOR's debt collection appropriation, all revenues collected in excess of expenditures are transferred to the general fund at the end of the fiscal year. Estimate a reduction in the year-end transfer to the general fund of \$1,350,000 GPR-REV in 2023-24 and \$600,000 GPR-REV in

2024-25 to reflect increased PR expenditures that would be authorized under this appropriation.

Joint Finance: Include the provision, but reestimate the reduction in the year-end transfer to the general fund at \$120,000 GPR-REV in 2024-25 to reflect increased fees estimated at \$480,000 PR-REV in 2024-25. Additionally, estimate enhanced delinquent general fund tax collections of \$10,500,000 in 2025-26 and \$14,000,000 in 2026-27.

4. STATEWIDE DEBT COLLECTION POSITIONS [LFB Paper 671]

	Governor (Chg. to Base) Funding Positions		Jt. Finance (Chg. to Gov) Funding Positions		Net Change Funding Positions	
PR	\$940,100	7.00	-\$940,100	- 7.00	\$0	0.00
GPR-REV	\$1,633,300		-\$1,633,300		\$0	
PR-REV	2,573,400		- 2,573,400		0	

Governor: Provide \$423,500 PR in 2023-24 and \$516,600 PR in 2024-25 and 7.0 PR positions annually to DOR's collection of taxes -- debt collection appropriation to increase efforts to collect debts owed to state agencies and local governments under the SDC program. DOR indicates that the authorization of these positions would increase the collection and remittance of debts owed by an estimated \$11.9 million annually.

According to DOR, the seven positions would consist of one revenue agent supervisor, one revenue agent lead, and five revenue agents. The Administration indicates that, in addition to enhanced collections of state and local debts, providing these seven positions would result in the following changes to state revenues: (a) an increase of \$516,800 PR-REV in 2023-24 and \$2,056,600 PR-REV in 2024-25 from additional fees collected by DOR; and (b) an increase in the year-end transfer to the general fund of \$93,300 GPR-REV in 2023-24 and \$1,540,000 GPR-REV in 2024-25.

Joint Finance: Provision not included.

5. STATEWIDE DEBT COLLECTION OFFICE RESOURCES (Removed from budget consideration pursuant to Joint Finance Motion #10)

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
PR	\$892,000	-\$892,000	\$0
GPR-REV	-\$892,000	\$892,000	\$0

6. **ADMINISTRATION AND ENFORCEMENT OF MARIJUANA TAX AND REGULATION** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)		Jt. Finance (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$5,357,900	18.00	-\$5,357,900	- 18.00	\$0	0.00

7. **MARIJUANA PERMIT FEES** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR-REV	\$1,410,000	-\$1,410,000	\$0

8. **REPEAL BASEBALL STADIUM TAX ADMINISTRATION APPROPRIATION** [LFB Paper 674]

	Funding	Positions
PR	-\$855,000	- 4.40

Governor/Joint Finance: Delete \$427,500 and 4.40 positions annually to eliminate the funding and vacant positions associated with DOR's collection of taxes -- administration of special district taxes appropriation. Repeal the appropriation on April 30, 2024. This appropriation was created to administer the baseball stadium district tax, which ended March 31, 2020. The Administration indicates that the delayed effective date for the repeal of this appropriation is necessary to allow taxpayers to timely file amended returns.

9. **PERSONAL PROPERTY TAX REPEAL ADMINISTRATIVE COSTS**

	Governor (Chg. to Base)		Jt. Finance (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$1,430,700	0.00	-\$1,088,500	2.00	\$342,200	2.00
PR	<u>22,600</u>	<u>0.00</u>	<u>- 22,600</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>
Total	\$1,453,300	0.00	-\$1,111,100	2.00	\$342,200	2.00

Governor: Provide \$1,310,300 GPR and \$22,600 PR in 2023-24 and \$120,400 GPR in 2024-25 to fund the administrative costs of implementing the repeal of the personal property tax. The Administration indicates that, of the total funding for this provision, \$20,500 would be provided as ongoing funding for assessor trainings and annual reviews of personal property aid based on two different assessment years. The remainder would be for one-time costs associated with updating information technology systems and applications for DOR's State and Local Finance Division. [For additional information, see "Shared Revenue and Tax Relief -- Property Taxation."]

Joint Finance: Provide \$171,100 GPR and 2.0 GPR project positions annually to DOR's state and local finance -- general program operations appropriation to help implement the repeal of the personal property tax. Specify that these project positions would be authorized from July 1, 2023, to June 30, 2025. [For additional information, see "Shared Revenue and Tax Relief -- Property Taxation."]

10. MANUFACTURING PROPERTY ASSESSMENT SPECIALISTS [LFB Paper 673]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$311,200	2.00	-\$311,200	-2.00	\$0	0.00
PR	311,200	2.00	-311,200	-2.00	0	0.00
Total	\$622,400	4.00	-\$622,400	-4.00	\$0	0.00

Governor: Provide \$140,100 GPR and \$140,100 PR in 2023-24 and \$171,100 GPR and \$171,100 PR in 2024-25 and 2.00 GPR and 2.00 PR positions annually to ensure more timely and accurate manufacturing property assessments under current law. The Administration indicates that recent increases in workloads and decreases in available resources prevent DOR from meeting its statutory five-year review period for state-assessed manufacturing properties. DOR states that the four property assessment specialists provided under the Governor's budget would allow DOR to conduct more field audits each year to meet (or exceed) the required five-year review schedule.

Joint Finance: Provision not included.

11. LOCAL GOVERNMENT SERVICES BUREAU [LFB Paper 673]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$149,200	1.00	-\$149,200	-1.00	\$0	0.00

Governor: Provide \$67,400 in 2023-24 and \$81,800 in 2024-25 and 1.0 position annually to DOR's Local Government Services Bureau (LGS). According to DOR, the current workload assigned to LGS is beyond its capacity and the Bureau is in need of additional auditors to meet its statutory deadlines related to the administration of shared revenue, property tax credits, county and municipal levy limits, equalized values, and other programs. The Administration indicates that this revenue audit position would improve customer service to local governments and assist in the administration of shared revenue, property tax credits, and other LGS-assigned programs.

Joint Finance: Provision not included.

12. REPEAL FOOTBALL STADIUM TAX ADMINISTRATION APPROPRIATION [LFB Paper 674]

PR	- \$105,000
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Joint Finance: Delete \$52,500 annually to eliminate funding associated with DOR's collection of taxes -- administration of local professional football stadium district taxes appropriation, and repeal the appropriation on the effective date of the bill.

13. ADMINISTRATION OF MUNICIPALITY TAXES APPROPRIATION

Joint Finance: Create a PR appropriation under DOR for the administration of municipal sales and use taxes. Under separate provisions of the bill, 1.75% of the taxes collected under a newly created shared revenue and tax relief municipality taxes appropriation are credited to DOR's appropriation. Specify that any unencumbered balance in DOR's appropriation would be transferred to the general fund at the end of each fiscal year. [For additional information, see "Shared Revenue and Tax Relief -- Local Revenue Options."]

Regulation of Alcohol, Tobacco, Nicotine Products, and Vapor Products

- 1. WINE SALES IN PUBLIC PARKS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
- 2. CLOSING HOURS DURING REPUBLICAN NATIONAL CONVENTION** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*
- 3. MINIMUM AGE FOR CIGARETTES, NICOTINE, TOBACCO, AND VAPOR PRODUCTS** *(Removed from budget consideration pursuant to Joint Finance Motion #10)*

Lottery Administration

1. LOTTERY SALES PROJECTIONS

Governor: Project sales of \$912.1 million annually, including 2022-23. Projected lottery sales provide the basis for estimating the lottery and gaming property tax credit in the next biennium. In addition, the projected sales directly affect appropriations for retailer compensation

and lottery vendor fees. The Governor's 2023-25 projected sales are based on sales models utilized by DOR to estimate both lotto (on-line) and instant ticket games.

Joint Finance: Reestimate 2022-23 lottery sales to \$979.7 million, compared to \$912.1 million under previous projections, to reflect recent sales experience and estimate sales in the biennium at \$912.1 million annually. The following table shows these projections, as well as 2021-22 actual lottery sales and estimated sales in 2022-23.

Lottery Sales Projections
(\$ in millions)

<u>Game Type</u>	<u>Actual</u> <u>2021-22</u>	<u>Estimated</u> <u>2022-23</u>	<u>Estimated</u> <u>2023-24</u>	<u>% Change</u> <u>from 2022-23</u>	<u>Estimated</u> <u>2024-25</u>	<u>% Change</u> <u>from 2023-24</u>
Scratch	\$637.8	\$655.6	\$643.5	-1.8%	\$643.5	0.0%
Pull-tab	1.1	1.3	1.3	0.0	1.3	0.0
Lotto	<u>248.9</u>	<u>322.8</u>	<u>267.3</u>	<u>-17.2</u>	<u>267.3</u>	<u>0.0</u>
Total	\$887.8	\$979.7	\$912.1	-6.9%	\$912.1	0.0%

2. LOTTERY FUND CONDITION STATEMENT [LFB Paper 675]

Joint Finance: Modify the lottery fund condition statement to reflect an estimated 2023-24 opening balance of \$25,691,500, and estimated sales in the 2023-25 biennium, as well as the following items, described in further detail below: (a) an increase in SEG expenditures of \$125,200 in 2023-24 and \$165,100 in 2024-25 associated with the provision of additional positions; and (b) an increase of \$15,849,800 GPR annually for lottery expenditures and corresponding decreases in SEG lottery expenditures. Reestimate the funding available for the lottery and gaming credit by \$15,724,600 in 2023-24 and by \$15,684,700 in 2024-25 to reflect these changes.

	<u>2023-24</u>	<u>2024-25</u>
Fiscal Year Opening Balance	\$43,939,100	\$18,247,600
Operating Revenues		
Total Ticket Sales	\$912,117,200	\$912,117,200
Retailer Fees and Miscellaneous	<u>262,800</u>	<u>262,800</u>
Gross Revenues	\$912,380,000	\$912,380,000
Expenditures (SEG)		
Prizes	\$578,481,400	\$578,481,400
Retailer Compensation	0	0
Vendor Fees	0	0
General Program Operations	20,728,900	20,768,800
Gaming Law Enforcement	464,500	464,500
Lottery Credit Administration	337,600	337,600
Program and Other Reserves	<u>235,300</u>	<u>528,700</u>
Total SEG Expenditures	\$600,247,700	\$600,581,000

	<u>2023-24</u>	<u>2024-25</u>
Expenditures (GPR)		
Retailer Compensation	\$64,366,400	\$64,366,400
Vendor Fees	<u>24,358,400</u>	<u>24,358,400</u>
Total GPR Expenditures	\$88,724,800	\$88,724,800
Net SEG Proceeds	\$312,132,300	\$311,799,000
Interest Earnings	\$1,052,000	\$841,000
Total Available for Tax Relief *	\$357,123,400	\$330,887,600
Appropriations For Tax Relief		
Lottery and Gaming Credit	\$338,025,800	\$311,790,000
Late Lottery and Gaming Credit Applications	<u>850,000</u>	<u>850,000</u>
Total Appropriations for Tax Relief	\$338,875,800	\$312,640,000
Gross Closing Balance	\$18,247,600	\$18,247,600
Reserve (2% of Gross Revenues)	\$18,247,600	\$18,247,600
Net Closing Balance	\$0	\$0

*Opening balance, net SEG proceeds, and interest earnings.

3. LOTTERY RETAILER COMPENSATION AND VENDOR FEES [LFB Paper 675]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
GPR	\$0	\$31,699,600	\$31,699,600
SEG	<u>19,215,600</u>	<u>- 31,699,600</u>	<u>- 12,484,000</u>
Total	\$19,215,600	\$0	\$19,215,600

Governor: Provide \$7,061,800 annually for retailer compensation and \$2,546,000 annually for vendor fees associated with increases in estimated lottery sales. This would increase SEG funding for vendor fees to \$3,483,000 annually and SEG funding for retailer compensation to \$12,366,800 annually. In addition to the sum sufficient SEG appropriations for retailer compensation and vendor fees, two separate GPR appropriations also provide funding for these purposes.

Basic retailer compensation is established by statute at 5.5% of the retail price of lotto lottery tickets and 6.25% of the retail price of instant tickets sold by the retailer. In addition, the retailer performance program provides an amount of up to 1% of gross lottery sales as incentive payments to retailers. Vendor fees are paid under a major procurement contract for the provision of data processing services to both the lotto and instant lottery games.

Joint Finance: Provide \$12,366,800 GPR annually to DOR's sum certain appropriation for lottery retailer compensation and \$3,483,000 GPR annually to DOR's sum certain GPR appropriation for lottery vendor fees. Make a corresponding decrease to DOR's sum sufficient SEG

appropriations for lottery retailer compensation lottery vendor fees.

4. LOTTERY DRAW STAFF [LFB Paper 675]

	Funding	Positions
SEG	\$99,300	1.00

Governor/Joint Finance: Provide \$42,600 in 2023-24 and \$56,700 in 2024-25 and 1.0 position to the Lottery Division's SEG general operations appropriation to assist with both the increased number of lotto games and the mid-day draws that have been implemented for several lotto games.

5. LOTTERY INVESTIGATORS [LFB Paper 675]

	Governor (Chg. to Base)		Jt. Finance (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	\$494,700	3.00	-\$329,800	-2.00	\$164,900	1.00

Governor: Provide \$214,200 in 2023-24 and \$280,500 in 2024-25 and 3.0 positions to the Lottery Division's SEG general operations appropriation to enhance efforts to maintain the security and integrity of the lottery.

Joint Finance: Provide \$71,400 in 2023-24 and \$93,500 in 2024-25 and 1.0 position to the Lottery Division's SEG general operations appropriation for an additional lottery investigator.

6. LOTTERY CONTRACTOR POSITION [LFB Paper 675]

	Funding	Positions
SEG	\$26,100	0.20

Joint Finance: Provide \$11,200 in 2023-24 and \$14,900 in 2024-25 and 0.2 of a position to the Lottery Division's SEG general operations appropriation to supplement an existing 0.8 FTE position for a retailer services specialist.