

Budget Brief – Tax Technology Management

NUMBER EDR-20-07

SUMMARY

The Department of Technology Services (DTS) now operates and maintains the Tax Commission’s 60 different automated systems. It also develops and installs new automated systems to meet specialized demands. The Commission and DTS are working to modernize tax systems to assist tax payers in compliance and make the processing and verification of taxpayer information more efficient.

ISSUES AND RECOMMENDATIONS

Arches Project

The Arches Project is a joint effort between the Tax Commission and the Department of Technology Services to modernize the State’s tax computer systems. The total estimated cost at the end of completion in 2010 is \$30 million, with \$22.5 million in direct appropriations from the Legislature. Over the past several years, the Legislature has granted the Tax Commission permission to carry forward unexpended balances at the end of the fiscal year for costs related to tax system modernization and during the 2006 General Session, the Legislature made the first direct appropriation for the project in the amount of \$7 million General Fund

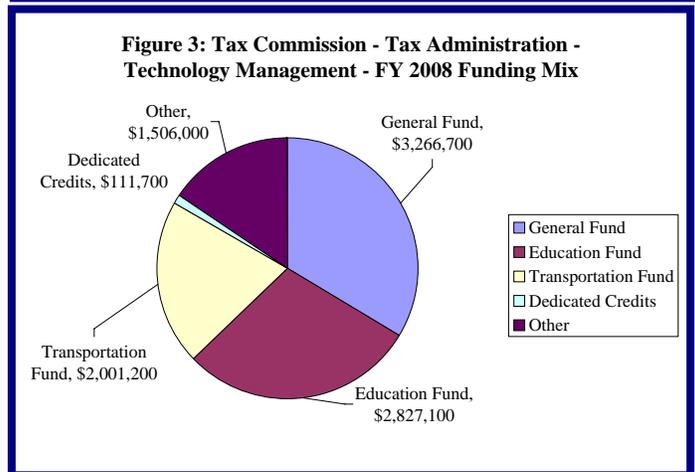
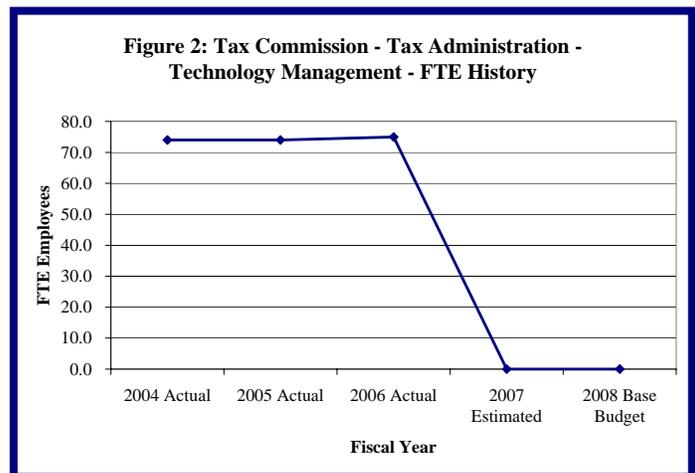
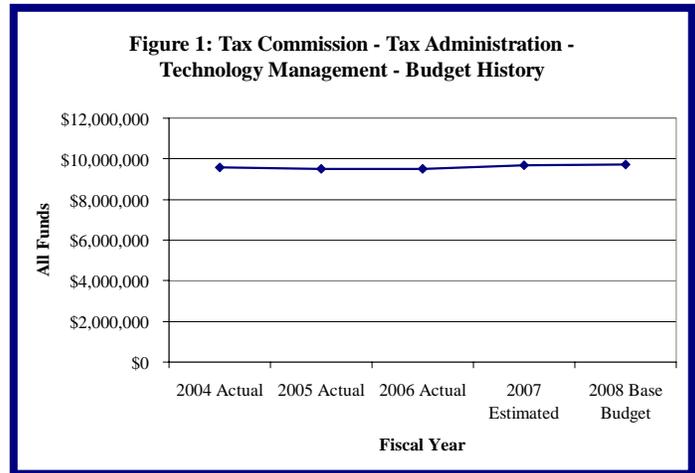
As of January, 2007, the personal income tax module (phase I) of the Arches Project is complete. Remaining initiatives include imaging capabilities, a sales and use tax module, a withholding and corporate tax module, and a fuels module.

The Analyst recommends prioritizing a one-time appropriation of \$5 million General Fund to the Department of Technology Services for FY 2008 for tax system modernization.

ACCOUNTABILITY DETAIL

Since inception of the Arches Project in April, 2006, the Tax Commission has provided quarterly progress updates to the Legislature. The last update, provided to the Economic Development and Revenue Appropriations Subcommittee on January 10, 2007, showed the project on time and on budget.

The Analyst recommends that the Commission continue to provide the Legislature with quarterly progress update. The Analyst also recommends that the Commission report performance measures for the completed personal income tax module to the Executive Appropriations Committee and Economic Development and Revenue Appropriations Subcommittee during the 2007 Interim.



BUDGET DETAIL

The Technology management program is in the Administration line item, accounting for about 14 percent of the line item budget. Figures 1 through 3 on the previous page and the following table show budget details for the Technology Management program. Major sources of financing include the General Fund, Uniform School Fund, Sales and Use Tax Administrative Fees Restricted Account, and the Transportation Fund. Notable changes in expenditures since FY 2006 include the decrease to personal service expenditures and increases to data processing current expense expenditures on account of changes to the accounting of information technology services. In Fiscal Year 2007, the program transferred 75 full-time-equivalent employees to the Department of Technology Services in accordance with H.B. 49, Department of Technology Services Personnel Transfer – Supplemental Appropriation (General Session 2006).

Tax Commission - Tax Administration - Technology Management

Sources of Finance	FY 2006	FY 2007	Changes	FY 2007	Changes	FY 2008*
	Actual	Appropriated		Revised		Base Budget
General Fund	3,175,600	3,277,200	(10,500)	3,266,700	0	3,266,700
General Fund, One-time	0	(8,500)	0	(8,500)	8,500	0
Uniform School Fund	2,748,200	2,836,200	(9,100)	2,827,100	0	2,827,100
Uniform School Fund, One-time	0	(7,400)	0	(7,400)	7,400	0
Transportation Fund	2,001,200	2,001,200	0	2,001,200	0	2,001,200
Dedicated Credits Revenue	116,700	111,700	0	111,700	0	111,700
GFR - Sales and Use Tax Admin Fees	1,464,000	1,503,000	(900)	1,502,100	3,900	1,506,000
Total	\$9,505,700	\$9,713,400	(\$20,500)	\$9,692,900	\$19,800	\$9,712,700
Programs						
Technology Management	9,505,700	9,713,400	(20,500)	9,692,900	19,800	9,712,700
Total	\$9,505,700	\$9,713,400	(\$20,500)	\$9,692,900	\$19,800	\$9,712,700
Categories of Expenditure						
Personal Services	5,803,900	6,308,100	(6,308,100)	0	0	0
In-State Travel	5,200	5,900	0	5,900	0	5,900
Out of State Travel	29,100	24,000	6,500	30,500	0	30,500
Current Expense	207,900	417,800	(166,300)	251,500	19,800	271,300
DP Current Expense	3,426,400	2,799,500	6,499,600	9,299,100	0	9,299,100
Other Charges/Pass Thru	0	0	26,000	26,000	0	26,000
Total	\$9,505,700	\$9,713,400	(\$20,500)	\$9,692,900	\$19,800	\$9,712,700
Budgeted FTE	75.0	75.0	(75.0)	0.0	0.0	0.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

LEGISLATIVE ACTION

The Analyst recommends the following budget actions for the Technology Management program:

- Adopt a base budget totaling \$9,712,700.
- Prioritize a one-time appropriation of \$10 million one-time to the Administration line item for tax system modernization.

Actions requested by the Tax Commission are listed in Issue Brief GAA-07-001, *Tax Commission Budget Requests*.