

Department of Revenue Services

DRS16000

Permanent Full-Time Positions

Fund	Actual FY 19	Actual FY 20	Appropriation FY 21	Governor Recommended		Legislative	
				FY 22	FY 23	FY 22	FY 23
General Fund	660	627	627	625	632	625	625

Budget Summary

Account	Actual FY 19	Actual FY 20	Appropriation FY 21	Governor Recommended		Legislative	
				FY 22	FY 23	FY 22	FY 23
Personal Services	51,744,037	51,188,692	58,985,625	58,614,332	61,463,652	58,378,143	60,973,105
Other Expenses	7,231,305	6,647,277	7,332,623	9,035,475	7,920,475	9,360,475	7,920,475
Agency Total - General Fund	58,975,342	57,835,969	66,318,248	67,649,807	69,384,127	67,738,618	68,893,580
Additional Funds Available							
Carry Forward Funding	-	-	-	-	-	-	30,000
Federal & Other Restricted Act	42,115	35,000	35,000	35,000	35,000	35,000	35,000
Private Contributions & Other Restricted	1,192,773	1,601,613	1,750,000	1,800,000	1,800,000	1,800,000	1,800,000
Agency Grand Total	60,210,230	59,472,582	68,103,248	69,484,807	71,219,127	69,573,618	70,758,580

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23

Policy Revisions

Provide Funding for a Tax Amnesty Program

Personal Services	50,000	-	50,000	-	-	-
Other Expenses	1,065,000	-	1,065,000	-	-	-
Total - General Fund	1,115,000	-	1,115,000	-	-	-

Background

Tax amnesty programs have been previously undertaken in 2013, 2009, 2002, 1995, and 1990. Revenues raised from those programs totaled \$192.6 million, \$25 million, \$109 million, \$46 million, and \$54 million, respectively.

Governor

Provide one-time funding totaling \$1.115 million in FY 22 to implement a tax amnesty program covering marketing (\$560,000), information technology system support (\$350,000), postage (\$150,000), overtime (\$50,000), and other miscellaneous (\$5,000) costs.

Implementation of a tax amnesty program is estimated to result in a revenue gain of \$40 million in FY 22 followed by a \$4 million loss in FY 23 due to a shift in the timing of receipt of collections.

Legislative

Same as Governor. Section 450 of PA 21-2 JSS, the budget implementer, implements this provision.

Provide Funding for a Data Analytics Initiative

Personal Services	-	380,000	-	380,000	-	-
Other Expenses	750,000	750,000	750,000	750,000	-	-
Total - General Fund	750,000	1,130,000	750,000	1,130,000	-	-
Positions - General Fund	5	5	5	5	-	-

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23

Background

The Department of Revenue Services (DRS) implemented a Collections and Enforcement Scoring & Prioritization System in FY 12 to analyze various tax liabilities, prioritize potential action according to projected outcomes, and assign the best available and most cost effective resources.

An enhanced revenue collections initiative was implemented in FY 15 that included: 1) working with taxpayers that were not eligible for the 2013 tax amnesty program or that did not take advantage of it, 2) pursuing non-filers, 3) resolving disputed tax shifting resulting from business transfer payments, 4) expanded federal and interstate data matching, 5) responsible person billing for businesses not remitting or not filing taxes, 6) increased interagency data matching, 7) expanded interagency tax clearances and offsets against state payments, and 8) tax fraud reduction.

Governor

Provide funding of \$750,000 in FY 22 and \$1.13 million in FY 23 for a Data Analytics Initiative comprising software costs of \$750,000 each year and Personal Services costs for five positions (one Program Manager and four Economists) totaling \$380,000 in FY 23.

The Data Analytics team will be responsible for developing data-centric compliance projects that segment the taxpaying population, prioritize tax return examinations and provide suggestions on the appropriate treatment strategy. Analytics, including predictive modeling, will transform how DRS conducts audits and debt collections by creating early intervention methods which ensure full collection of the tax that is due. This will be accomplished by utilizing a wide range of technical competencies such as statistics and machine learning, coding languages, data wrangling, and reporting and visualization techniques. The team will lead or support cross functional projects, and will apply critical thinking, problem solving and ability to communicate complex analysis to advance the use of data-driven decision-making.

Implementation of a Data Analytics Initiative is estimated to result in a revenue gain of \$40 million annually beginning in FY 23.

Legislative

Same as Governor

Recreational Use of Cannabis

Personal Services	236,189	490,547	-	-	(236,189)	(490,547)
Other Expenses	50,000	-	-	-	(50,000)	-
Total - General Fund	286,189	490,547	-	-	(286,189)	(490,547)
Positions - General Fund	-	7	-	-	-	(7)

Background

The Governor’s bill, *An Act Concerning Responsibly and Equitably Regulating Adult-Use Cannabis*, legalizes adult cannabis use for those 21 years of age or older beginning in May of 2022. The Governor’s budget provides funding of \$11.5 million in FY 22 and \$14.2 million in FY 23 across various agencies within the General Fund and Special Transportation Fund to implement, regulate, and enforce this bill.

Governor

Provide funding of \$286,189 in FY 22 and \$490,547 in FY 23 to support the taxation of recreational cannabis, including for two Revenue Agents responsible for the collection and investigation of cannabis taxes and five Revenue Examiners to examine financial records of businesses and individuals in order to ensure accuracy of tax liability with regard to recreational cannabis sales. Partial-year funding of positions is provided in FY 22, along with one-time funding of \$50,000 for technology costs within DRS' Information Services Division.

Legislative

The license, regulation, and enforcement of recreational cannabis shall be funded through a non-appropriated account which is backed by revenue generated from the licensing and taxation of cannabis. *June Special Session Public Act 21-1, An Act Concerning Responsible and Equitable Regulation of Adult-Use Cannabis*, legalizes cannabis and creates the legal structure to tax and regulate the market.

Eliminate Funding for Bridgeport Regional Office

Other Expenses	(112,148)	(112,148)	(112,148)	(112,148)	-	-
Total - General Fund	(112,148)	(112,148)	(112,148)	(112,148)	-	-

Background

The DRS main office is in Hartford, with regional offices in Bridgeport, Norwich, and Waterbury.

Governor

Reduce funding by \$112,148 in both FY 22 and FY 23 to reflect the closure of the Bridgeport regional office.

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23

Legislative

Same as Governor

Adjust Funding for Tax Incidence Report

Other Expenses	(375,000)	-	-	-	375,000	-
Total - General Fund	(375,000)	-	-	-	375,000	-

Background

Section 10 of SB 885, *An Act Implementing the Governor's Budget Recommendations for General Government*, delays until February 15, 2024 the statutory requirement for DRS to produce a biennial Tax Incidence Report.

Governor

Remove funding of \$375,000 in FY 22 only to reflect a delay, from February 15, 2022 to February 15, 2024, in the deadline for submission of the next biennial Tax Incidence Report.

Legislative

Maintain funding of \$375,000 in FY 22 for the next biennial Tax Incidence Report.

Transfer Funding to Reflect the Consolidation of Human Resources and Labor Relations Functions

Personal Services	(648,288)	(673,222)	(648,288)	(673,222)	-	-
Total - General Fund	(648,288)	(673,222)	(648,288)	(673,222)	-	-
Positions - General Fund	(7)	(7)	(7)	(7)	-	-

Background

The Governor's FY 22 and FY 23 Budget annualizes the consolidation of 1) human resources functions within the Department of Administrative Services (DAS) by transferring \$19.1 million in FY 22 and \$19.8 million from various agencies to DAS, and 2) labor relations functions within the Office of Policy and Management by transferring \$5.4 million in FY 22 and \$5.6 million in FY 23 from various agencies to OPM. During FY 21, human resources and labor relations positions were transferred to DAS and OPM respectively.

Governor

Transfer \$648,288 in FY 22 and \$673,222 in FY 23 to reflect the consolidation of this agency's human resources functions into DAS and labor relations functions into OPM.

Legislative

Same as Governor

Annualize FY 21 Rescissions

Personal Services	(560,857)	(560,857)	(560,857)	(560,857)	-	-
Other Expenses	(50,000)	(50,000)	(50,000)	(50,000)	-	-
Total - General Fund	(610,857)	(610,857)	(610,857)	(610,857)	-	-

Background

The Governor implemented General Fund rescissions in FY 21 totaling \$25.3 million across state agencies. The Governor's FY 22 and FY 23 Budget annualizes \$22.6 million of these rescissions in both FY 22 and FY 23 across various agencies.

Governor

Reduce funding by \$610,857 in both FY 22 and FY 23 to annualize the Governor's FY 21 rescissions.

Legislative

Same as Governor

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23

Current Services

Provide Funding for Wage and Compensation Related Increases

Personal Services	481,331	2,771,227	481,331	2,771,227	-	-
Total - General Fund	481,331	2,771,227	481,331	2,771,227	-	-

Background

The Governor's FY 22 and FY 23 Budget provides funding of \$135.9 million in FY 22 and \$383.9 million in FY 23, across six appropriated funds, to reflect current services wage-related adjustments such as an annual increment, cost of living adjustment (COLA), general wage increase, and the 27th payroll. Normally there are 26 pay periods in a fiscal year, however, every 11 years there is an additional pay period. The 27th payroll occurs again in FY 23.

Governor

Provide funding of \$481,331 in FY 22 and \$2,771,227 in FY 23 to reflect this agency's increased wage costs.

Legislative

Same as Governor

Provide Funding for Biennial Tax Incidence Report

Other Expenses	375,000	-	375,000	-	-	-
Total - General Fund	375,000	-	375,000	-	-	-

Background

CGS Sec. 12-7c requires DRS, by February 15, 2022 and biennially thereafter, to provide a Tax Incidence Report covering all major state and local taxes. The latest such report was produced in December 2014.

Governor

Provide funding of \$375,000 in FY 22 only for consulting and information technology costs associated with the Tax Incidence Report due February 15, 2022.

Legislative

Same as Governor

Transfer Funding from RSA to Agencies for Collective Bargaining Agreements

Personal Services	70,332	70,332	70,332	70,332	-	-
Total - General Fund	70,332	70,332	70,332	70,332	-	-

Background

The Governor's FY 22 and FY 23 Budget transfers funding of \$15.6 million in both FY 22 and FY 23 in the General Fund, and \$409,880 in both FY 22 and FY 23 in the Special Transportation Fund from the Reserve for Salary Adjustment account (RSA) to agencies for previously approved collective bargaining contracts.

Governor

Transfer funding of \$70,332 in both FY 22 and FY 23 from RSA to reflect this agency's collective bargaining wage increases.

Legislative

Same as Governor

Carry Forward

Carry Forward Funding for Bottle Bill Revisions

Other Expenses	-	-	-	30,000	-	30,000
Total - Carry Forward Funding	-	-	-	30,000	-	30,000

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23

Background

PA 21-58, *AAC Solid Waste Management*, revamps the state's beverage container redemption law by, among other things, expanding the list of beverages subject to the law's requirements and increasing (beginning January 1, 2024) the deposit amount from five cents to ten cents.

Legislative

Section 308(b)(18) of PA 21-2 JSS, the budget implementer, carries forward FY 21 unexpended balances from various accounts and provides up to \$30,000 for use in FY 23 for tax system modifications associated with beverage container redemptions.

Totals

Budget Components	Governor Recommended		Legislative		Difference from Governor	
	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23
FY 21 Appropriation - GF	66,318,248	66,318,248	66,318,248	66,318,248	-	-
Policy Revisions	404,896	224,320	493,707	(266,227)	88,811	(490,547)
Current Services	926,663	2,841,559	926,663	2,841,559	-	-
Total Recommended - GF	67,649,807	69,384,127	67,738,618	68,893,580	88,811	(490,547)

Positions	Governor Recommended		Legislative		Difference from Governor	
	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23
FY 21 Appropriation - GF	627	627	627	627	-	-
Policy Revisions	(2)	5	(2)	(2)	-	(7)
Total Recommended - GF	625	632	625	625	-	(7)