

KANSAS DEPARTMENT OF REVENUE

	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:							
State General Fund	\$ 14,333,666	\$ 14,561,407	\$ 14,111,931	\$ 60,397,553	\$ 13,741,202	\$ 62,237,378	\$ 15,487,937
Other Funds	99,066,967	111,778,820	110,455,452	61,312,341	104,929,372	42,456,422	86,075,131
TOTAL	\$ 113,400,633	\$ 126,340,227	\$ 124,567,383	\$ 121,709,894	\$ 118,670,574	\$ 104,693,800	\$ 101,563,068
Capital Improvements:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 113,400,633	\$ 126,340,227	\$ 124,567,383	\$ 121,709,894	\$ 118,670,574	\$ 104,693,800	\$ 101,563,068
Percentage Change:							
Operating Expenditures							
State General Fund	(10.7) %	1.6 %	(1.5) %	314.8 %	(2.6) %	3.0 %	12.7 %
All Funds	(1.9)	11.4	9.8	(3.7)	(4.7)	(14.0)	(14.4)
FTE Positions	944.0	944.0	944.0	944.0	944.0	944.0	944.0
Non-FTE							
Perm.Uncl.Pos.	94.0	128.0	128.0	129.0	129.0	129.0	129.0
TOTAL	1,038.0	1,072.0	1,072.0	1,073.0	1,073.0	1,073.0	1,073.0

AGENCY OVERVIEW

The Kansas Department of Revenue collects taxes and fees, administers Kansas tax laws, issues a variety of licenses, and provides assistance to Kansas citizens and units of government. The Department of Revenue is divided into five major divisions which reflect the four statutory programs that the agency is charged with administering and the support functions that serve the regular programs. The present organizational structure includes the following units.

- Administrative Services provides management and support services to the other programs.
- Alcoholic Beverage Control (ABC) regulates the sale and distribution of alcoholic beverages and enforces bingo and tobacco regulations.

- Tax Operations and Audit Services administers and enforces the major state taxes and conducts a program of audits to identify and substantiate under-reporting of Kansas taxes.
- Property Valuation (PVD) appraises state property and exercises supervision over local appraisers.
- Motor Vehicles (DOV) issues titles, registers vehicles, and licenses drivers.
- Aid to Local Units of Government provides for the distribution of certain State collected taxes and fees to local units of government as aid.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** reduced FY 2006 staffing by 50.0 FTE positions to eliminate one-third of the agency's vacant positions, authorizing a total of 1,146.0 FTE positions after shrinkage rate adjustments. Certain sub-programs were "protected" due to priorities in increasing tax collection, including Audit Services and Legal Services in Administration and Compliance/Civil Tax in the Division of Taxation.

Additionally, the **2005 Legislature** approved a budget enhancement to generate additional tax collections of \$6.0 million in FY 2006 and funded 4.0 vacant field auditor positions in order to generate an additional \$1.0 million in tax collections during FY 2006.

The **2005 Legislature** also approved continuation of three-year expenditures estimated at \$2.9 million for a computer-assisted mass appraisal project, replacing the current application and \$428,738 for new computer hardware equipment. Actual FY 2004 costs totaled \$972,538, with the remaining \$2.3 million to be spent during FY 2005 and FY 2006.

The **2005 Legislature** continued to finance a majority of agency operating expenditures from fee funds rather than the State General Fund, a practice started in FY 2002 after expenditures from the State General Fund totaled \$34.8 million. The approved FY 2006 financing from the State General Fund was \$20.5 million.

The **2006 Legislature** approved the transfer of \$437,500 from the State General Fund to the Kansas Qualified Biodiesel Fuel Producer Incentive Fund established in 2006 regarding qualified biodiesel fuel producer incentives. Additionally, the Legislature added an expenditure limitation of \$437,500 for the Kansas Qualified Biodiesel Fuel Producer Incentive Fund in FY 2007 and included language in the appropriations act directing that the aggregate payments made to producers in FY 2007 would not exceed that amount.

The **2006 Legislature** also appropriated an additional \$160,000 from the State General Fund in FY 2007 to implement the provisions of SB 432 regarding individual income tax check-offs and included language requiring the Department to report to the 2007 Legislature regarding the details of the expenditures for this implementation. Additionally, the agency was directed by the Legislature to establish a toll-free phone line in FY 2007 for use by individuals where the agency made an error concerning individual income tax returns.

The **2007 Legislature** reduced the FY 2008 transfer from the Economic Development Initiatives Fund (EDIF) to the Kansas Qualified Biodiesel Fuel Producer Incentive Fund from \$3,500,000 to \$400,000. The Legislature increased the transfer from the State General Fund to the Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund from \$3,500,000 to \$4,500,000. Lastly, the Legislature approved \$250,160, including \$86,634 from the State General Fund, for the purchase of 20 vehicles.

The **2008 Legislature** added \$351,572, all from the State General Fund, for the salaries and wages for an additional 5.0 FTE tax fraud investigators in FY 2009.

The **2008 Legislature** added \$1,000,000 from the Division of Vehicles Operating Fund in FY 2009 to begin the integration and modernization of the Vehicle Information Processing System (VIPS), the Kansas Driver's License System (KDLS),

and the Kansas Vehicle Inventory System (KVIS). The agency estimated the total cost to be \$40.0 million over the next 5 years. As a means to fund the remaining cost of the project, the Legislature passed 2008 Senate Sub. for HB 2542 which temporarily increased vehicle registration fees by \$4 for the calendar years 2009 – 2012.

The **2009 Legislature** made the following one-time transfers to the State General Fund for FY 2009.

- \$298,300 from the Cigarette and Tobacco Products Regulation Fund to the State General Fund for FY 2009.
- \$314,000 from the County Drug Tax Fund to the State General Fund for FY 2009.
- \$1,570,000 from the Special County Mineral Production Tax Fund to the State General Fund for FY 2009.

The **2009 Legislature** reduced the transfer from the Economic Development Initiatives Fund to the Kansas Qualified Biodiesel Fuel Producer Incentive Fund by \$26,000, or 6.5 percent, from \$400,000 to \$374,000 for FY 2009.

The **2010 Legislature** deleted \$401,897, all from the State General Fund, to achieve a State General Fund reduction of approximately 2.5 percent from the Governor's recommendation for FY 2011.

The **2010 Legislature** provided an amnesty for all delinquent taxes received from September 1, 2010 to October 15, 2010, and appropriated the Tax Amnesty Recovery Fund for FY 2011. The Legislature authorized the agency to fill 7.0 vacant FTE positions for FY 2011 with the first \$350,000 collected as a result of the Tax Amnesty program transferred from the State

General Fund to the Tax Amnesty Recovery Fund. The amnesty would apply to delinquent tax liabilities for tax periods ending on or before December 31, 2008. The amnesty would not apply if the taxpayer has received a notice of an audit or assessment or if the time for an appeal has not yet expired. The Department may waive penalties and interest during the amnesty period.

The **2012 Legislature** deleted \$6,751,952, all from the Division of Vehicles Modernization Fee Fund and transferred the funds to the State General Fund for FY 2013.

The **2013 Legislature** passed House Sub. for SB 83 in which watercraft will be assessed at 11.5 percent for 2014 and 5.0 percent for 2015 and all years after. The Legislature passed SB 164 which allows the Department to appoint contractors to perform any services associated with vehicle functions.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates FY 2015 expenditures of \$126,340,227, including \$14,561,407 from the State General Fund. The revised estimate is an all funds increase of \$3,835,994, or 3.1 percent, and a State General Fund increase of \$32,321, or 0.2 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased salary and wage expenditures, specifically in the classified regular wages and employer KPERS contributions, partially offset by reduced unclassified regular and temporary wages.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 expenditures of \$124,567,383, including \$14,11,931 from the State General

The **2014 Legislature** passed House Sub. for SB 245 which amends law to credit 12.41 percent of FY 2013, FY 2014, and FY 2015 mineral severance taxes collected in counties with receipts in excess of \$100,000 to the Oil and Gas Valuation Depletion Trust Fund (OGVDTF) for distribution in FY 2014, FY 2015, and FY 2016, respectively. The bill abolishes the OGVDTF on July 1, 2016. The bill also creates the Mineral Production Education Fund (MPEF) on July 1, 2016. Beginning in FY 2017, the bill credits the fund with 20 percent of mineral severance taxes collected during the previous fiscal year in counties with receipts in excess of \$100,000. The monies in the MPEF subsequently will be transferred twice each year to the State School District Finance Fund (SSDFF).

Additionally, the agency is estimating increased contractual service and capital outlay expenditures, specifically in the area of computer programming, software and communication expenditures. These increases are partially offset by reduced aid to local units, namely lower than projected distributions from the Oil and Gas Valuation Depletion Trust Fund. The agency requests 944.0 FTE positions, which is the same amount approved by the 2014 Legislature.

Fund. The recommendation is an all funds decrease of \$1,772,844, or 1.4 percent, and a State General Fund decrease

of \$449,476, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund and State Highway Fund allotment and a

reduction to the KPERS employer contribution rate. The Governor recommends lapsing the agency's State General Fund reappropriation.

FY 2016 Agency Request

The **agency** requests FY 2016 expenditures of \$121,709,894, including \$60,397,553 from the State General Fund. The request is an all funds decrease of \$4,630,333, or 3.7 percent, below the revised FY 2015 estimate, and a State General Fund increase of \$45,836,146, or 314.8 percent, above the revised FY 2015 estimate. The request includes decreased contractual service, commodities and capital outlay

expenditures, partially offset by increased salaries and wages expenditures of \$1,111,062, or 2.0 percent, due to increased employer KPERS contributions rate and reduced salaries and wages shrinkage. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years, used predominately for agency administration and the motor vehicles program.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of \$118,670,574, including \$13,741,202 from the State General Fund. The recommendation is an all funds decrease of \$3,039,320, or 2.5 percent, including a State General Fund decrease of \$46,656,351, or 77.2 percent, below the agency's FY 2016 request. The all funds decrease is attributable to reduced employer contributions for state

employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

FY 2017 Agency Request

The **agency** requests FY 2017 expenditures of \$104,693,800, including \$62,237,378 from the State General Fund. The request is an all funds decrease of \$17,016,094, or 14.0 percent, below the agency's FY 2016 request, and a State General Fund increase of \$1,839,825, or 3.0 percent, above the agency's FY 2016 request. The all funds decrease is attributable

to reduced contractual service and aid to local units expenditures, specifically the discontinuation of distribution to local units from the Oil and Gas Valuation Depletion Trust Fund. These decreases are partially offset by increased salary and wage expenditures, due to a 27th pay period that occurs in the fiscal year.

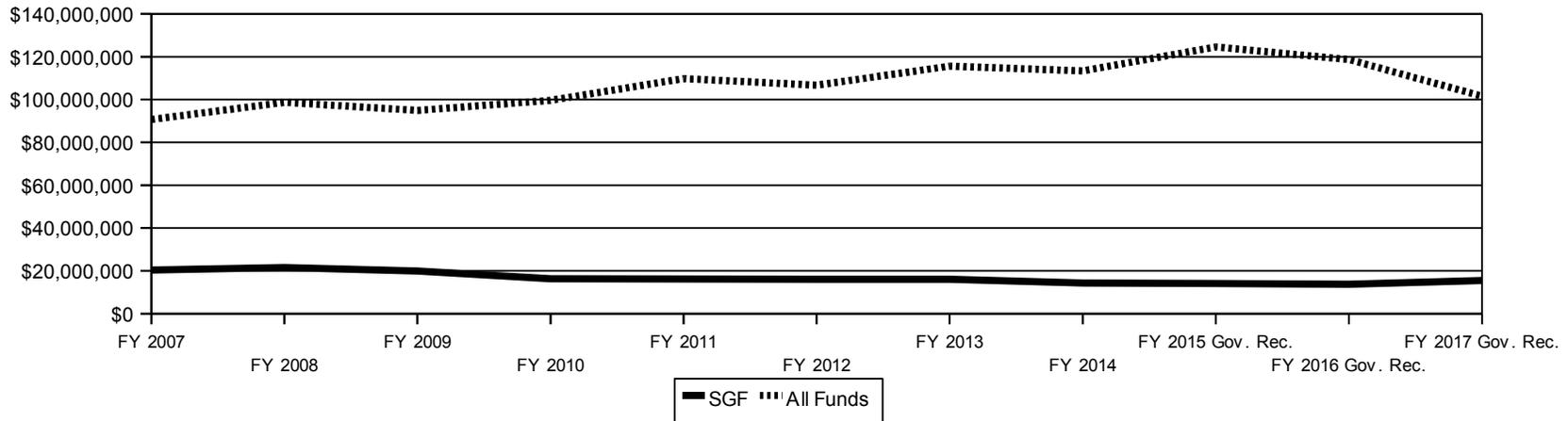
FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of \$101,563,068, including \$15,487,937 from the State General Fund. The recommendation is an all funds decrease of \$3,130,732, or 3.0 percent, including a State General Fund decrease of \$46,749,441, or 75.1 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state

employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 20,420,363	0.0 %	\$ 90,663,391	(0.5)%	1,146.0
2008	21,513,429	5.4	98,681,698	8.8	1,196.0
2009	19,914,508	(7.4)	94,938,662	(3.8)	1,027.4
2010	16,332,472	(18.0)	99,620,545	4.9	1,012.0
2011	16,161,193	(1.0)	109,779,648	10.2	984.0
2012	16,027,866	(0.8)	106,713,078	(2.8)	1,046.0
2013	16,059,454	0.2	115,594,905	8.3	994.0
2014	14,333,666	(10.7)	113,400,633	(1.9)	944.0
2015 Gov. Rec.	14,111,931	(1.5)	124,567,383	9.8	944.0
2016 Gov. Rec.	13,741,202	(2.6)	118,670,574	(4.7)	944.0
2017 Gov. Rec.	15,487,937	12.7	101,563,068	(14.4)	944.0
Eleven-Year Change	\$ (4,932,426)	(24.2)%	\$ 10,899,677	12.0 %	(202.0)

Summary of Operating Budget FY 2014 - FY 2016

	Actual 2014	Agency Estimate				Governor's Recommendation			
		Estimate FY 2015	Request FY 2016	Dollar Change from FY 15	Percent Change from FY 15	Rec. FY 2015	Rec. FY 2016	Dollar Change from FY 15	Percent Change from FY 15
By Program:									
Administration	\$ 27,762,020	\$ 32,002,296	\$ 29,413,328	\$ (2,588,968)	(8.1) %	\$ 31,831,712	\$ 29,286,094	\$ (2,545,618)	(8.0)%
Aid to Locals	25,595,709	31,099,360	30,134,240	(965,120)	(3.1)	31,099,360	30,134,240	(965,120)	(3.1)
Alcohol Beverage Control	3,931,381	3,470,793	3,660,916	190,123	5.5	3,443,378	3,629,695	186,317	5.4
Tax Administration	28,433,361	28,214,300	28,430,361	216,061	0.8	26,786,196	25,744,202	(1,041,994)	(3.9)
Property Valuation	3,888,513	4,603,092	4,469,143	(133,949)	(2.9)	4,575,155	4,438,192	(136,963)	(3.0)
Motor Vehicles	23,789,649	26,950,386	25,601,906	(1,348,480)	(5.0)	26,831,582	25,438,151	(1,393,431)	(5.2)
TOTAL	\$ 113,400,633	\$ 126,340,227	\$ 121,709,894	\$ (4,630,333)	(3.7) %	\$ 124,567,383	\$ 118,670,574	\$ (5,896,809)	(4.7)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 54,310,499	\$ 55,506,748	\$ 56,617,810	\$ 1,111,062	2.0 %	\$ 53,766,225	\$ 53,578,490	\$ (187,735)	(0.3)%
Contractual Services	23,230,804	28,127,339	25,055,396	(3,071,943)	(10.9)	28,095,018	25,055,396	(3,039,622)	(10.8)
Commodities	4,220,869	5,277,270	4,795,505	(481,765)	(9.1)	5,277,270	4,795,505	(481,765)	(9.1)
Capital Outlay	2,537,120	2,311,206	939,099	(1,372,107)	(59.4)	2,311,206	939,099	(1,372,107)	(59.4)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 84,299,292	\$ 91,222,563	\$ 87,407,810	\$ (3,814,753)	(4.2) %	\$ 89,449,719	\$ 84,368,490	\$ (5,081,229)	(5.7)%
Aid to Local Units	25,595,709	31,119,360	30,154,240	(965,120)	(3.1)	31,119,360	30,154,240	(965,120)	(3.1)
Other Assistance	3,505,632	3,998,304	4,147,844	149,540	3.7	3,998,304	4,147,844	149,540	3.7
TOTAL	\$ 113,400,633	\$ 126,340,227	\$ 121,709,894	\$ (4,630,333)	(3.7) %	\$ 124,567,383	\$ 118,670,574	\$ (5,896,809)	(4.7)%
Financing:									
State General Fund	\$ 14,333,666	\$ 14,561,407	\$ 60,397,553	\$ 45,836,146	314.8 %	\$ 14,111,931	\$ 13,741,202	\$ (370,729)	(2.6)%
Div. of Vehicles Operating Fund	47,296,441	47,986,783	2,392,711	(45,594,072)	(95.0)	46,766,956	46,141,482	(625,474)	(1.3)
Oil/Gas Valuation Depletion Trust Fund	14,453,779	19,165,120	18,100,000	(1,065,120)	(5.6)	19,165,120	18,100,000	(1,065,120)	(5.6)
Electronic Databases Fee Fund	8,567,206	11,287,856	11,265,875	(21,981)	(0.2)	11,237,901	11,204,381	(33,520)	(0.3)
Special County Mineral Production Tax Fund	9,834,792	10,700,000	10,800,000	100,000	0.9	10,700,000	10,800,000	100,000	0.9
Federal Funds	1,117,009	1,482,339	319,935	(1,162,404)	(78.4)	1,482,339	319,935	(1,162,404)	(78.4)
All Other Funds	17,797,740	21,156,722	18,433,820	(2,722,902)	(12.9)	21,103,136	18,363,574	(2,739,562)	(13.0)
TOTAL	\$ 113,400,633	\$ 126,340,227	\$ 121,709,894	\$ (4,630,333)	(3.7) %	\$ 124,567,383	\$ 118,670,574	\$ (5,896,809)	(4.7)%

Summary of Operating Budget FY 2016 - FY 2017

	Agency Estimate				Governor's Recommendation			
	Request FY 2016	Request FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:								
Administration	\$ 29,413,328	\$ 30,153,172	\$ 739,844	2.5 %	\$ 29,286,094	\$ 30,023,391	\$ 737,297	2.5 %
Aid to Locals	30,134,240	12,134,240	(18,000,000)	(59.7)	30,134,240	12,134,240	(18,000,000)	(59.7)
Alcohol Beverage Control	3,660,916	3,810,513	149,597	4.1	3,629,695	3,778,667	148,972	4.1
Tax Administration	28,430,361	28,877,793	447,432	1.6	25,744,202	26,112,629	368,427	1.4
Property Valuation	4,469,143	4,596,841	127,698	2.9	4,438,192	4,565,270	127,078	2.9
Motor Vehicles	25,601,906	25,121,241	(480,665)	(1.9)	25,438,151	24,948,871	(489,280)	(1.9)
TOTAL	\$ 121,709,894	\$ 104,693,800	\$ (17,016,094)	(14.0) %	\$ 118,670,574	\$ 101,563,068	\$ (17,107,506)	(14.4) %
By Major Object of Expenditure:								
Salaries and Wages	\$ 56,617,810	\$ 58,664,190	\$ 2,046,380	3.6 %	\$ 53,578,490	\$ 55,533,458	\$ 1,954,968	3.6 %
Contractual Services	25,055,396	24,191,520	(863,876)	(3.4)	25,055,396	24,191,520	(863,876)	(3.4)
Commodities	4,795,505	4,797,907	2,402	0.1	4,795,505	4,797,907	2,402	0.1
Capital Outlay	939,099	938,099	(1,000)	(0.1)	939,099	938,099	(1,000)	(0.1)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 87,407,810	\$ 88,591,716	\$ 1,183,906	1.4 %	\$ 84,368,490	\$ 85,460,984	\$ 1,092,494	1.3 %
Aid to Local Units	30,154,240	12,154,240	(18,000,000)	(59.7)	30,154,240	12,154,240	(18,000,000)	(59.7)
Other Assistance	4,147,844	3,947,844	(200,000)	(4.8)	4,147,844	3,947,844	(200,000)	(4.8)
TOTAL	\$ 121,709,894	\$ 104,693,800	\$ (17,016,094)	(14.0) %	\$ 118,670,574	\$ 101,563,068	\$ (17,107,506)	(14.4) %
Financing:								
State General Fund	\$ 60,397,553	\$ 62,237,378	\$ 1,839,825	3.0 %	\$ 13,741,202	\$ 15,487,937	\$ 1,746,735	12.7 %
Div. of Vehicles Operating Fund	2,392,711	2,392,711	0	--	46,141,482	46,147,439	5,957	0.0
Oil/Gas Valuation Depletion Trust Fund	18,100,000	0	(18,100,000)	(100.0)	18,100,000	0	(18,100,000)	(100.0)
Electronic Databases Fee Fund	11,265,875	11,510,691	244,816	2.2	11,204,381	11,447,641	243,260	2.2
Special County Mineral Production Tax Fund	10,800,000	10,900,000	100,000	0.9	10,800,000	10,900,000	100,000	0.9
Federal Funds	319,935	75,000	(244,935)	(76.6)	319,935	75,000	(244,935)	(76.6)
All Other Funds	18,433,820	17,578,020	(855,800)	(4.6)	18,363,574	17,505,051	(858,523)	(4.7)
TOTAL	\$ 121,709,894	\$ 104,693,800	\$ (17,016,094)	(14.0) %	\$ 118,670,574	\$ 101,563,068	\$ (17,107,506)	(14.4) %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of \$14,529,086 for the Department of Revenue in FY 2015. Two adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of \$32,321, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

- A reduction of \$417,155 as the result of the Governor’s December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to \$14,144,252. That amount is reflected in the table below as the currently approved FY State General Fund amount.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2015	Agency Estimate FY 2015	Agency Change from Approved	Governor Rec. FY 2015	Governor Change from Approved
State General Fund	\$ 14,144,252	\$ 14,561,407	\$ 417,155	\$ 14,111,931	\$ (32,321)
All Other Funds	107,975,147	111,778,820	3,803,673	110,455,452	2,480,305
TOTAL	<u>\$ 122,119,399</u>	<u>\$ 126,340,227</u>	<u>\$ 4,220,828</u>	<u>\$ 124,567,383</u>	<u>\$ 2,447,984</u>
FTE Positions	944.0	944.0	0.0	944.0	0.0

The **agency estimates** FY 2015 expenditures of \$126,340,227, including \$14,561,407 from the State General Fund. The revised estimate is an all funds increase of

\$3,835,994, or 3.1 percent, and a State General Fund increase of \$32,321, or 0.2 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased

salary and wage expenditures, specifically in the classified regular wages and employer KPERS contributions, partially offset by reduced unclassified regular and temporary wages. Additionally, the agency is estimating increased contractual service and capital outlay expenditures, specifically in the area of computer programming, software and communication expenditures. These increases are partially offset by reduced aid to local units, namely lower than projected distributions from the Oil and Gas Valuation Depletion Trust Fund. The agency requests 944.0 FTE positions, which is the same amount approved by the 2014 Legislature. Major changes from the amount approved by the 2014 Legislature include the following.

- **Salaries and Wages.** The agency estimates \$55,506,748, including, \$13,058,939 from the State General Fund, for salaries and wages in FY 2015. The revised estimate is an all funds increase of \$1,713,853, or 3.2 percent, and a State General Fund increase of \$1,381,390, or 11.8 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased unclassified salaries and wages as a result of the contract with IQor for software development ends and maintenance staff brought on in unclassified positions. The increase is also attributable to increased fringe benefit expenditures.
- **Contractual Services.** The agency estimates \$28,127,339, including \$1,300,865 from the State General Fund, for contractual services in FY 2015. The revised estimate is an all funds increase of \$1,078,090, or 4.0 percent, above and a State General Fund decrease of \$1,163,257, or 47.2 percent, below the amount approved by the 2014 Legislature. The increase

is primarily attributable to computer programming and software maintenance expenditures.

- **Commodities.** The agency estimates \$5,277,270, including \$77,553 from the State General Fund, for commodities in FY 2015. The revised estimate is an all funds increase of \$771,673, or 17.1 percent, above and a State General Fund decrease of \$252,072, or 76.5 percent, below the amount approved by the 2014 Legislature. The increase is attributable to increased expenditures associated with moving from OITS to the State Printer for printing and mailing. Other increased expenditures include hardware, software and printer upgrades and replacements at county DMV offices.
- **Capital Outlay.** The agency estimates \$2,311,206, including \$70,310 from the State General Fund, for capital outlay in FY 2015. The revised estimate is an all funds increase of \$1,552,522, or 204.6 percent, and a State General Fund increase of \$66,260, or 1,636.0 percent, above the amount approved by the 2014 Legislature. The increase is primarily attributable to expenditures related to upgrades and maintenance to county DMV equipment.

The **Governor** recommends FY 2015 expenditures of \$124,567,383, including \$14,11,931 from the State General Fund. The recommendation is an all funds decrease of \$1,772,844, or 1.4 percent, and a State General Fund decrease of \$449,476, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund and State Highway Fund allotment and a reduction to the KPERS employer contribution rate.

Governor's Allotments

The consensus revenue estimating process was completed on November 10, 2014 subsequent to agencies submitting budgets with revised expenditures for the current fiscal year. The results of the new consensus revenue estimates identified a \$278.7 million State General Fund shortfall for FY 2015. This prompted the Governor to address the shortfall with an allotment plan totaling \$280.0 million which reduced

expenditures by \$60.1 million. The allotment plan also included recommendations to transfer funds and adjust Non-State General Fund expenditures an additional \$219.9 million. The adjustments included in the \$219.9 million will require legislative approval to implement. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	\$ (126,573)	\$ (126,573)	0.0
Reduce SGF funding by 4.0 percent	(290,582)	(290,582)	
TOTAL	<u>\$ (417,155)</u>	<u>\$ (417,155)</u>	<u>0.0</u>

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction of \$126,573 from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures. An additional \$531,398

from special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of \$657,971.

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of \$290,582, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by using the salary of the vacant Board Member to cover the FY 2015 reduction.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 121,709,894	\$ 118,670,574	\$ (3,039,320)
FTE Positions	944.0	944.0	0.0
<i>Change from FY 2015:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ 45,836,146	\$ (370,729)	
All Other Funds	(50,466,479)	(5,526,080)	
TOTAL	<u>\$ (4,630,333)</u>	<u>\$ (5,896,809)</u>	
<i>Percent Change:</i>			
State General Fund	314.8 %	(2.6) %	
All Other Funds	(45.1)	(5.0)	
TOTAL	<u>(3.7) %</u>	<u>(4.7) %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 expenditures of \$121,709,894, including \$60,397,553 from the State General Fund. The request is an all funds decrease of \$4,630,333, or 3.7 percent, below the revised FY 2015 estimate, and a State General Fund increase of \$45,836,146, or 314.8 percent, above the revised FY 2015 estimate. The request includes decreased contractual service, commodities and capital outlay expenditures, partially offset by increased salaries and wages

expenditures of \$1,111,062, or 2.0 percent, due to increased employer KPERS contributions rates and reduced shrinkage. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years, used predominately for agency administration and the motor vehicles program. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests \$56,617,810, including \$45,244,745 from the State General Fund, for salaries and wages in FY 2016. The request is an all funds increase of \$1,111,062, or 2.0 percent, and a State General Fund increase of \$32,185,807, or 246.5 percent, above the agency's revised FY 2015 estimate. The all funds increase is due to increased employer KPERS contributions rates and reduced shrinkage.
- **Contractual Services.** The agency requests \$25,055,396, including \$12,527,692 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of \$3,071,943, or 10.9 percent, below and a State General Fund increase of \$111,226,827, or 863.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced expenditures associated with the agency's contract with IQor for software development.
- **Commodities.** The agency requests \$4,795,505, including \$2,474,682 from the State General Fund, for commodities in FY 2016. The request is an all funds decrease of \$481,765, or 9.1 percent, below and State General Fund increase of \$2,397,129, or 3,091.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced data processing supply expenditures.
- **Capital Outlay.** The agency requests \$939,099, including \$96,693 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of \$1,372,107, or 59.4 percent, below and a State General Fund increase of \$26,383, or 37.5 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced computer hardware expenditures
- **Aid to Local Units.** The agency requests \$30,154,240, all from special revenue funds, for aid to local units of government in FY 2016. The request is a decrease of \$965,120, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced anticipated distributions from the Oil and Gas Valuation Depletion Trust Fund, due to reduced oil and gas severance tax collections, offset partially by increased distributions from the Special County Mineral Production Tax Fund.

The **Governor** recommends FY 2016 operating expenditures of \$118,670,574, including \$13,741,202 from the State General Fund. The recommendation is an all funds decrease of \$3,039,320, or 2.5 percent, including a State General Fund decrease of \$46,656,351, or 77.2 percent, below the agency's FY 2016 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 104,693,800	\$ 101,563,068	\$ (3,130,732)
FTE Positions	944.0	944.0	0.0
Change from FY 2016:			
<i>Dollar Change:</i>			
State General Fund	\$ 1,839,825	\$ 1,746,735	
All Other Funds	(18,855,919)	(18,854,241)	
TOTAL	<u>\$ (17,016,094)</u>	<u>\$ (17,107,506)</u>	
<i>Percent Change:</i>			
State General Fund	3.0 %	12.7 %	
All Other Funds	(30.8)	(18.0)	
TOTAL	<u>(14.0) %</u>	<u>(14.4) %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 expenditures of \$104,693,800, including \$62,237,378 from the State General Fund. The request is an all funds decrease of \$17,016,094, or 14.0 percent, below the agency's FY 2016 request, and a State General Fund increase of \$1,839,825, or 3.0 percent, above the agency's FY 2016 request. The all funds decrease is attributable to reduced contractual service expenditures and aid to local units, specifically the discontinuation of distribution to local units

from the Oil and Gas Valuation Depletion Trust Fund. These decreases are partially offset by increased salary and wage expenditures, due to a 27th pay period that occurs in the fiscal year. Major changes from the agency's FY 2016 request include the following.

- **Salaries and Wages.** The agency requests \$58,664,190, including \$47,096,488 from the

State General Fund, for salaries and wages in FY 2017. The request is an all funds increase of \$2,046,380, or 3.6 percent, and a State General Fund increase of \$1,851,743, or 4.1 percent, above the agency's FY 2016 request. The increase is attributable to the 27th pay period that occurs in the fiscal year.

- **Contractual Services.** The agency requests \$24,191,520, including \$12,513,872 from the State General Fund, for contractual services in FY 2017. The request is an all funds decrease of \$863,876, or 3.4 percent, and a State General Fund decrease of \$13,820, or 0.1 percent, below the agency's FY 2016 request. The decrease is attributable to reduced advertising and reduced expenditures from the Motor Vehicles program to meet decreased anticipated revenue.
- **Aid to Local Units.** The agency requests \$12,154,240, all from special revenue funds, for

aid to local units of government for FY 2017. The request is a decrease of \$18,000,000, or 59.7 percent, below the agency's FY2016 request. The decrease is attributable to the elimination of the Oil and Gas Valuation Depletion Trust Fund, in lieu of the Mineral Production Education Fund administered by the Department of Education.

The **Governor** recommends FY 2017 operating expenditures of \$101,563,068, including \$15,487,937 from the State General Fund. The recommendation is an all funds decrease of \$3,130,732, or 3.0 percent, including a State General Fund decrease of \$46,749,441, or 75.1 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The 2014 Legislature approved funding of \$11.3 million, including \$4.5 million from the State General Fund, in FY 2015 for a \$250 bonus for all full-time employees except elected officials who were employed on December 6, 2013, and which was paid December 6, 2014. **For this agency, the FY 2015 bonus totals \$276,068, including \$58,669 from the State General Fund, and affects 888 employees.**

Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2016 payments is \$7.2 million, including \$2.8 million from the State General Fund. For FY 2017, the estimated cost for the payments is \$7.7 million, including \$3.0 million from the State General Fund. **For this agency, FY 2016 longevity payments total \$444,040, including \$90,616 from the State General Fund, and FY 2017 longevity payments total \$474,480, including \$108,120 from the State General Fund.**

Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of \$282.8 million, including \$108.2 million from the State General Fund, for FY 2016 and \$289.2 million, including \$110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of \$623,418, including \$150,398 from the State General Fund for FY 2016. This is a reduction of \$641,237, including \$169,895 from the State General Fund, for FY 2017.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2015 employer retirement contribution for KPERs regular and school members was scheduled to be 11.27 percent, an increase of 1.0 percent from 10.27 in FY 2014. The Governor reduced the employer contribution rate from 11.27 percent to 8.65 percent for the second half of FY 2015, for an effective contribution rate of 9.96 percent as part of the Governor's allotment plan. For FY 2016, the Governor recommends the retirement rate increase by 2.41 percent from 9.96 percent to 12.37 percent. For FY 2017, the Governor recommends the retirement rate increase by 1.2 percent from 12.37 percent to 13.57 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund.

In addition, the employer contribution for the KPERs death and disability insurance rate will be increased to 1.0 percent, from 0.85 percent, for FY 2016 and for FY 2017.

The Governor further proposes offering \$1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution rates of the State/School Group. The Kansas Public Employee Retirement System estimates this plan could reduce employer contributions by \$68.43 million in FY 2016 and \$132.85 in FY 2017. The Kansas Development Finance Authority estimates that the bond service would be \$90.3 million in FY 2016 through FY 2017, assuming the Kansas credit ratings are not downgraded.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2016	Gov. Rec. Percent of Total FY 2016	Agency Req. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	49.6 %	11.6 %	59.4 %	15.2 %
Division of Vehicles Operating Fund	1.9	38.8	2.3	45.4
Oil/Gas Valuation Depletion Trust Fund	14.9	15.3	0.0	0.0
Electronic Databases Fee Fund	9.3	9.4	11.0	11.2
Special County Mineral Production Tax Fund	8.9	9.1	10.4	10.7
Federal Funds	0.1	0.1	0.1	0.1
All Other Funds	15.1	15.7	16.8	17.4
TOTAL	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Note: Percentages may not add due to rounding.

Division of Vehicles Operating Fund

The four principal non-State General Fund financing sources for the agency are included in this review of fee funds: the Division of Vehicles (DOV) Operating Fund, the Electronic Databases Fee Fund, the Oil and Gas Valuation Trust Fund, and the Special County Mineral Production Fund.

The **Division of Vehicles Operating Fund** is funded through charges assessed for copies, fines, penalties and forfeitures. The largest single source of revenue for the Division of Vehicles Operating Fund is from the State Highway Fund which is made in quarterly transfers under annual appropriation acts.

Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 1,084,301	\$ 1,008,139	\$ 1,008,139	\$ 969,492	\$ 969,492	\$ 597,781	\$ 597,781
Revenue	2,253,066	2,021,000	2,021,000	2,021,000	2,021,000	2,021,000	2,021,000
Transfers in	44,967,704	45,927,136	44,707,309	0	43,748,771	0	43,754,728
Total Funds Available	\$ 48,305,071	\$ 48,956,275	\$ 47,736,448	\$ 2,990,492	\$ 46,739,263	\$ 2,618,781	\$ 46,373,509
Less: Expenditures	47,296,441	47,986,783	46,766,956	2,392,711	46,141,482	2,392,711	46,147,439
Transfers Out	(2,859)	0	0	0	0	0	0
Off Budget Expenditures	3,350	0	0	0	0	0	0
Ending Balance	<u>\$ 1,008,139</u>	<u>\$ 969,492</u>	<u>\$ 969,492</u>	<u>\$ 597,781</u>	<u>\$ 597,781</u>	<u>\$ 226,070</u>	<u>\$ 226,070</u>
Ending Balance as Percent of Expenditures	2.1%	2.0%	2.1%	25.0%	1.3%	9.4%	0.5%
Month Highest Ending Balance	April \$ 7,579,263	April \$ 7,500,554	April \$ 7,500,554	April \$ 7,465,088	April \$ 7,465,088	April \$ 7,089,682	April \$ 7,089,682
Month Lowest Ending Balance	March \$ 216,860	March \$ 131,058	March \$ 131,058	March \$ 969,494	March \$ 969,494	March \$ 274,979	March \$ 274,979

Electronic Databases Fee Fund

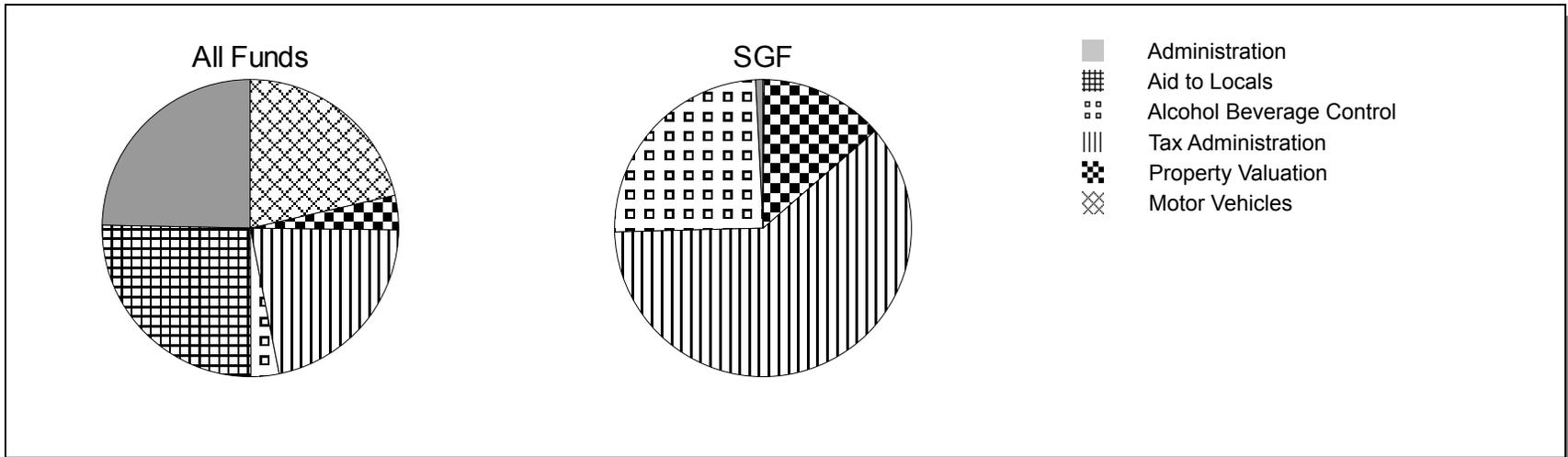
The Electronic Databases Fee Fund is funded through fees which are collected to provide access to or to furnish copies of data constituting public records. KSA 74-2022 establishes the Electronic Databases Fee Fund and provides that it shall be

used "to operate, maintain and improve the specific electronic database system in which the data are stored or maintained, including the costs incurred providing access to or furnishing copies of such data."

Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 2,120,581	\$ 3,281,560	\$ 3,281,560	\$ 2,442,506	\$ 2,492,461	\$ 1,625,433	\$ 1,736,882
Revenue	9,502,659	10,448,802	10,448,802	10,448,802	10,448,802	10,448,802	10,448,802
Transfers in	0	0	0	0	0	0	0
Total Funds Available	\$ 11,623,240	\$ 13,730,362	\$ 13,730,362	\$ 12,891,308	\$ 12,941,263	\$ 12,074,235	\$ 12,185,684
Less: Expenditures	8,567,206	11,287,856	11,237,901	11,265,875	11,204,381	11,510,691	11,447,641
Transfers Out	(225,526)	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 3,281,560</u>	<u>\$ 2,442,506</u>	<u>\$ 2,492,461</u>	<u>\$ 1,625,433</u>	<u>\$ 1,736,882</u>	<u>\$ 563,544</u>	<u>\$ 738,043</u>
Ending Balance as Percent of Expenditures	38.3%	21.6%	22.2%	14.4%	15.5%	4.9%	6.4%
Month Highest Ending Balance	June <u>\$ 3,053,636</u>	June <u>\$ 4,233,212</u>	June <u>\$ 4,233,212</u>	June <u>\$ 3,370,658</u>	June <u>\$ 3,439,596</u>	June <u>\$ 2,568,184</u>	June <u>\$ 2,644,798</u>
Month Lowest Ending Balance	July <u>\$ 1,675,258</u>	July <u>\$ 2,854,957</u>	July <u>\$ 2,854,957</u>	July <u>\$ 2,002,854</u>	July <u>\$ 2,043,818</u>	July <u>\$ 1,186,566</u>	July <u>\$ 1,302,661</u>

PROGRAM DETAIL

EXPENDITURES BY PROGRAM—GOVERNOR’S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	\$ 29,286,094	24.7 %	\$ 109,759	0.8 %
Aid to Local Units	30,134,240	25.4	0	0.0
Alcohol Beverage Control	3,629,695	3.1	3,381,195	24.6
Tax Administration	25,744,202	21.7	8,378,622	61.0
Property Valuation Division	4,438,192	3.7	1,852,926	13.5
Motor Vehicles	25,438,151	21.4	18,700	0.1
TOTAL	\$ 118,670,574	100.0 %	\$ 13,741,202	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Administration	202.0	192.0	192.0	192.0	192.0	192.0	192.0
Aid to Locals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alcohol Beverage Control	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Tax Administration	393.0	393.0	393.0	393.0	393.0	393.0	393.0
Property Valuation	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Motor Vehicles	255.0	265.0	265.0	265.0	265.0	265.0	265.0
TOTAL	944.0	944.0	944.0	944.0	944.0	944.0	944.0

A. Administrative Services

The Administrative Services Division is comprised of the Office of the Secretary of Revenue, Resources Management, Legal Services, Policy and Research, and Informational Services. The Secretary is responsible for the Department of Revenue fulfilling its mission. Resources Management oversees the budgeting, logistics, human resources, and routine administration for the agency. A Criminal Fraud Control Unit is

also organized within Resources Management; the unit investigates both external and internal fraud and works to prevent identity theft. The Policy and Research Section provides tax analysis and revenue estimates. Information Services develops and maintains the Department's automated information systems.

ADMINISTRATIVE SERVICES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 13,829,399	\$ 14,714,576	\$ 14,576,313	\$ 14,582,658	\$ 14,455,424	\$ 15,247,673	\$ 15,117,892
Contractual Services	11,334,284	14,077,735	14,045,414	13,412,772	13,412,772	13,485,649	13,485,649
Commodities	189,927	988,541	988,541	465,536	465,536	468,488	468,488
Capital Outlay	1,796,715	1,773,600	1,773,600	504,518	504,518	503,518	503,518
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 27,150,325	\$ 31,554,452	\$ 31,383,868	\$ 28,965,484	\$ 28,838,250	\$ 29,705,328	\$ 29,575,547
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	611,695	447,844	447,844	447,844	447,844	447,844	447,844
TOTAL	\$ 27,762,020	\$ 32,002,296	\$ 31,831,712	\$ 29,413,328	\$ 29,286,094	\$ 30,153,172	\$ 30,023,391
Financing:							
State General Fund	\$ 1,526,324	\$ 1,642,147	\$ 1,605,954	\$ 23,541,696	\$ 109,759	\$ 24,166,661	\$ 108,759
All Other Funds	26,235,696	30,360,149	30,225,758	5,871,632	29,176,335	5,986,511	29,914,632
TOTAL	\$ 27,762,020	\$ 32,002,296	\$ 31,831,712	\$ 29,413,328	\$ 29,286,094	\$ 30,153,172	\$ 30,023,391
FTE Positions	202.0	192.0	192.0	192.0	192.0	192.0	192.0
Non-FTE Uncl. Perm. Pos.	59.0	59.0	59.0	59.0	59.0	59.0	59.0
TOTAL	261.0	251.0	251.0	251.0	251.0	251.0	251.0

The **agency** requests FY 2016 expenditures of \$29,413,328 including \$23,541,696 from the State General Fund for agency administration. The request is an all funds decrease of \$2,588,968, or 8.1 percent, below the revised FY 2015 estimate, and a State General Fund increase of \$21,899,549, or 1,333.6 percent, above the revised FY 2015 estimate. The request includes decreased salary and wage, contractual service, commodities and capital outlay expenditures. The increased State General Fund amount is a replacement of revenue

received from the State Highway Fund in the proceeding years. Major changes from the agency's revised FY 2015 estimate include the following.

- **Contractual Services.** The agency requests \$13,412,772 including \$8,545,359 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of

\$664,963, or 4.7 percent, below and a State General Fund increase of \$7,423,886, or 662.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to the completion of hardware and software upgrades associated with the DMV Modernization Project, specifically upgrades made to a portion of the circuits to the counties to T1 lines at an additional cost billed to the department through OITS.

- **Commodities.** The agency requests \$465,536, including \$328,459 from the State General Fund, for commodities in FY 2016. The request is an all funds decrease of \$523,005, or 52.9 percent, below and State General Fund increase of \$280,021, or 578.1 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable the replacement of county DMV office printers completed in FY 2015.
- **Capital Outlay.** The agency requests \$504,518, including \$54,518 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of \$1,269,082, or 71.6 percent, below and a State General Fund increase of \$47,808, or 712.5 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to the completion of server and scanner upgrades made at county DMV offices associated with the DMV Modernization Project.

The **Governor** recommends FY 2016 expenditures of \$29,286,094, including \$109,759 from the State General Fund. The recommendation is an all funds decrease of \$127,234, or

0.4 percent, below the agency's FY 2016 request, attributable to reduced employer contributions for state employee health insurance. The recommendation is a State General Fund decrease of \$23,431,937, or 99.5 percent, below the agency's request and is attributable to the Governor's recommendation that all expenses associated with the administration of motor vehicle registration come from the State Highway Fund.

The **agency** requests FY 2017 expenditures of \$30,153,172 including \$24,166,661 from the State General Fund for agency administration. The request is an all funds increase of \$739,844, or 2.5 percent, above the agency's FY 2016 request, and a State General Fund increase of \$624,965, or 2.7 percent, above the agency's FY 2016 request. The increase is attributable to increased salary and wage expenditures, due to a 27th pay period that occurs in the fiscal year. Major changes from the agency's FY 2016 request include the following.

- **Salaries and Wages.** The agency requests \$15,247,673, including \$15,224,628 from the State General Fund, for salaries and wages in FY 2017. The request is an all funds increase of \$665,015, or 4.6 percent, all from the State General Fund, above the agency's FY 2016 request. The increase is attributable to the 27th pay period that occurs in the fiscal year.

The **Governor** recommends FY 2017 expenditures of \$30,023,391, including \$108,759 from the State General Fund. The recommendation is an all funds decrease of \$129,781, or 0.4 percent, below the agency's FY 2017 request, attributable to reduced employer contributions for state employee health insurance. The recommendation is a State General Fund decrease of \$24,057,902, or 99.5 percent, below the agency's request and is attributable to the Governor's recommendation

that all expenses associated with the administration of motor vehicle registration come from the State Highway Fund.

B. Aid to Local Units

The Department of Revenue distributes revenue from certain state-collected taxes, fees, and penalties to local units of government. Those distributions include: sand royalties, full

privilege license plates to manufacturers and dealer license fees, mineral severance taxes, and taxes on controlled substances.

AID TO LOCAL UNITS SUMMARY OF EXPENDITURES FY 2014 – 2017							
Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	0	0	0	0	0	0	0
Commodities	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	25,595,709	31,099,360	31,099,360	30,134,240	30,134,240	12,134,240	12,134,240
Other Assistance	0	0	0	0	0	0	0
TOTAL	<u>\$ 25,595,709</u>	<u>\$ 31,099,360</u>	<u>\$ 31,099,360</u>	<u>\$ 30,134,240</u>	<u>\$ 30,134,240</u>	<u>\$ 12,134,240</u>	<u>\$ 12,134,240</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	25,595,709	31,099,360	31,099,360	30,134,240	30,134,240	12,134,240	12,134,240
TOTAL	<u>\$ 25,595,709</u>	<u>\$ 31,099,360</u>	<u>\$ 31,099,360</u>	<u>\$ 30,134,240</u>	<u>\$ 30,134,240</u>	<u>\$ 12,134,240</u>	<u>\$ 12,134,240</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

The **agency** requests \$30,134,240, all in aid to local units of government for FY 2016. The request is a decrease of \$965,120, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to anticipated reductions in the collection and distributions of severance tax revenues associated with the Oil and Gas Valuation Depletion Trust Fund. The request represents the total pass-through money remitted to local units of government from the following five sources.

- \$34,250 - Sand Royalty Fund, this amount is the same as the agency's revised FY 2015 estimate. Revenues for the Sand Royalty Fund are derived from royalties paid by persons, partnerships, or corporations taking sand, gravel or minerals from or beneath the bed of any state-owned river. Of the royalties collected, 75.0 percent of the fund collected, after deducting expenditures incurred in collecting the tax, is deposited in the State Water Plan Fund and the remainder is distributed to affected drainage districts, with two-thirds going to the district where the sand was removed and one-third to other districts in the county which front the river. Local government must use these funds for cleaning or maintaining waterways to keep them free of drift, trees, and other obstructions that might induce floods or overflows. The sand royalty rate is \$0.15 per ton.
- \$175,250 - County Treasurers Vehicle Licensing Fund, this amount is the same as the agency's revised FY 2015 estimate. The Vehicle Licensing Fund is funded through sale of full-privilege license plates to manufacturers and dealers of vehicles.
- \$18,100,000 - Oil and Gas Valuation Depletion Trust Fund, this amount is a decrease of \$1,065,120, or 5.6 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to lower than anticipated oil and gas prices resulting in reduced severance tax collection. The Oil and Gas Valuation Depletion Trust Fund is funded through receipts on oil and gas from counties that had more than \$100,000 in severance tax. A separate trust account is created by the director of taxation within the Kansas Department of Revenue and a percentage of revenue of severance tax is credited to each account.
- \$10,800,000 - Special County Mineral Production Tax Fund, this amount is an increase of \$100,000, or 0.9 percent, above the agency's revised FY 2015 estimate. The Special County Mineral Production Tax Fund is funded through the collection of minerals, which are oil, gas, and coal. Of the amount collected, 7.0 percent, is distributed proportionately to the counties where the production occurred and the remainder is credited to the State General Fund.
- \$1,024,740 - County Drug Tax Fund, this amount is the same as the agency's revised FY 2015 estimate. The County Drug Tax Fund is funded through the penalties collected in the seizure of unstamped marijuana and controlled substances. The estimates are volatile and are dependent on the amount of drug activity conducted, detected and the amount of property forfeited.

The **Governor** concurs with agency's FY 2016 request.

The **agency** requests \$12,134,240, all in aid to local units of government for FY 2017. The request is a decrease of \$18,000,000 or 59.7 percent, below the agency's FY 2016 request. The decrease is attributable to elimination of the Oil and Gas Valuation Depletion Trust Fund to be replaced with the Mineral Production Education Fund which will be administered by the Department of Education. That fund will collect and distribute 20.0 percent of severance tax collected through receipts on oil and gas from counties that had more than \$100,000, whereas the Oil and Valuation Depletion Trust Fund collected and distributed 12.45 percent of receipts in excess of \$100,000. The request represents the total pass-through money remitted to local units of government from the following four sources.

- \$34,250 - Sand Royalty Fund, this amount is the same as the agency's FY 2016 request.

C. Alcoholic Beverage Control (ABC)

The Alcoholic Beverage Control (ABC) Division administers the state's liquor, cigarette, and tobacco licenses. ABC conducts controlled "buy" investigations to help determine the rate of licensee compliance. The Division provides training to local law enforcement agencies on means to enforce liquor and tobacco laws. In April 2007, the agency entered into an interagency agreement with the Department for Children and Families (DCF)

- \$175,250 - County Treasurers Vehicle Licensing Fund, this amount is the same as the agency's FY 2016 request.
- \$10,900,000 - Special County Mineral Production Tax Fund, this amount is an increase of \$100,00, or 0.9 percent, above the agency's FY 2016 request.
- \$1,024,740 - County Drug Tax Fund, this amount is the same as the agency's FY 2016 request.

The **Governor** concurs with agency's FY 2016 request.

to create the Cigarette and Tobacco Enforcement (CATE) Team. The CATE Team is primarily concerned with enforcing the laws relating to the sale of cigarettes and tobacco products to minors and to identify other licensee violations in the process. The Division also cooperates with nongovernmental organizations concerned with reducing underage consumption.

**ALCOHOL BEVERAGE CONTROL
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 3,372,649	\$ 2,933,002	\$ 2,905,587	\$ 3,126,672	\$ 3,095,451	\$ 3,265,019	\$ 3,233,173
Contractual Services	327,755	369,344	369,344	363,437	363,437	374,687	374,687
Commodities	132,940	155,197	155,197	157,557	157,557	157,557	157,557
Capital Outlay	98,037	13,250	13,250	13,250	13,250	13,250	13,250
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 3,931,381	\$ 3,470,793	\$ 3,443,378	\$ 3,660,916	\$ 3,629,695	\$ 3,810,513	\$ 3,778,667
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	<u>\$ 3,931,381</u>	<u>\$ 3,470,793</u>	<u>\$ 3,443,378</u>	<u>\$ 3,660,916</u>	<u>\$ 3,629,695</u>	<u>\$ 3,810,513</u>	<u>\$ 3,778,667</u>
Financing:							
State General Fund	\$ 118	\$ 0	\$ 0	\$ 3,410,646	\$ 3,381,195	\$ 3,551,818	\$ 3,521,778
All Other Funds	3,931,263	3,470,793	3,443,378	250,270	248,500	258,695	256,889
TOTAL	<u>\$ 3,931,381</u>	<u>\$ 3,470,793</u>	<u>\$ 3,443,378</u>	<u>\$ 3,660,916</u>	<u>\$ 3,629,695</u>	<u>\$ 3,810,513</u>	<u>\$ 3,778,667</u>
FTE Positions	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Non-FTE Uncl. Perm. Pos.	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL	<u>51.0</u>	<u>51.0</u>	<u>51.0</u>	<u>51.0</u>	<u>51.0</u>	<u>51.0</u>	<u>51.0</u>

The **agency** requests FY 2016 operating expenditures of \$3,660,916, including \$3,410,646 from the State General Fund, for the Alcohol Beverage Control program. The request is an all funds increase of \$190,123, or 5.5 percent, and a State General Fund increase of \$3,410,646, or 100.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased expenditures on salaries and wages, partially offset by reduced contractual service expenditures. The increased State General Fund amount is a replacement of revenue

received from the State Highway Fund in the proceeding years. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests \$3,126,672, including \$2,949,430 from the State General Fund for salaries and wages in FY 2016. The request is an all funds increase of \$193,670,

or 6.6 percent, and a State General Fund increase of \$2,949,430, or 100.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased overtime pay for classified employed and fringe benefit expenditures.

The **Governor** recommends FY 2016 operating expenditures of \$3,629,695, including \$3,381,195 from the State General Fund for the Alcohol Beverage Control program. The request is an all funds decrease of \$31,221, or 0.9 percent, and a State General Fund decrease of \$29,451, or 0.9 percent, below the agency's FY 2016 request. The decrease is attributable to reduced employer contributions for state employee health insurance.

The **agency** requests FY 2017 operating expenditures of \$3,810,513, including \$3,551,818 from the State General Fund, for the Alcohol Beverage Control program. The request is all funds increase of \$149,597, or 4.1 percent, and a State General Fund increase of \$141,172, or 4.1 percent, above the agency's FY 2016 request. The increase is attributable to increased salary and wage and contractual service expenditures. Major changes from the agency's FY 2016 request include the following.

- **Salaries and Wages.** The agency requests \$3,265,019, including \$3,079,352 from the State

D. Tax Operations Division

Tax Operations has the largest operating budget for a division within the Department of Revenue. The division collects the various taxes for the state. There are four units within Tax Operations: the Revenue Accounting Unit, the Administrative Support Unit, the System Administrator and Testing Unit, and

General Fund in FY 2017. The request is an all funds increase of \$138,347, or 4.4 percent, and a State General Funds increase of \$129,922, or 4.4 percent, above the agency's FY 2016 request. The increase is predominately attributable to a 27th pay period that occurs in the fiscal year.

- **Contractual Services.** The agency requests \$374,687, including \$317,786 from the State General Fund, for contractual services in FY 2017. The request is an all funds increase of \$11,250, or 3.1 percent, all from the State General Fund, above the agency's FY 2016 request. The increase is attributable to expenditures related to the replacement and upgrade of law enforcement equipment.

The **Governor** recommends FY 2017 operating expenditures of \$3,778,667, including \$3,521,778 from the State General Fund for the Alcohol Beverage Control program. The request is an all funds decrease of \$31,846, or 0.8 percent, and a State General Fund decrease of \$30,040, or 0.8 percent, below the agency's FY 2017 request. The decrease is attributable to reduced employer contributions for state employee health insurance.

the Design and Development Unit. The units work together to administer the five sub-programs for which the division is responsible. Those sub-programs are Channel Management, Customer Relations, Collections, Field Services, and Electronic Services.

Channel Management is concerned with collecting information, both in hard copy and electronic form, and moving it to its appropriate user; the program works toward creating a paperless environment. Customer Relations works with customers, both within and outside of the agency, to build trust. The program deals with general business, wage earners, motor and other special taxes, and general taxpayer assistance. The Collections sub-program works to verify that tax payers are not under-reporting or under-paying their taxes. The goal of Field Services is to ensure the equitable payment of taxes under the law. Electronic Services coordinates the transmittal of electronic data into the department's accounting systems; this may include the development of software, including web-based software and interactive voice response systems.

The Audit Services Bureau investigates the under-reporting of Kansas taxes. The Bureau's work is accomplished through four methods: file analysis, field analysis, desk audits, and self-audits. File analysis involves evaluating individual tax payer information to determine if there is a risk of underpayment. Field audits are conducted in person by appointment to review and analyze tax and revenue records. Desk audits are similar to field audits, but information is communicated by written or electronic correspondence. Self-audits are applied to groups of taxpayers in a particular industry; individual tax payers are requested to go back through three years of tax and revenue data and to submit any schedule of errors that would then be used for calculating any late taxes and interest owed.

**TAX OPERATIONS DIVISION
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 21,900,471	\$ 20,945,253	\$ 19,517,149	\$ 21,815,912	\$ 19,129,753	\$ 22,537,532	\$ 19,772,368
Contractual Services	3,256,953	2,890,221	2,890,221	2,108,228	2,108,228	2,034,590	2,034,590
Commodities	369,377	751,716	751,716	790,596	790,596	790,046	790,046
Capital Outlay	12,647	76,650	76,650	15,625	15,625	15,625	15,625
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 25,539,448	\$ 24,663,840	\$ 23,235,736	\$ 24,730,361	\$ 22,044,202	\$ 25,377,793	\$ 22,612,629
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	2,893,913	3,550,460	3,550,460	3,700,000	3,700,000	3,500,000	3,500,000
TOTAL	\$ 28,433,361	\$ 28,214,300	\$ 26,786,196	\$ 28,430,361	\$ 25,744,202	\$ 28,877,793	\$ 26,112,629
Financing:							
State General Fund	\$ 12,091,992	\$ 11,611,613	\$ 11,210,184	\$ 18,168,242	\$ 8,378,622	\$ 18,644,189	\$ 9,888,455
All Other Funds	16,341,369	16,602,687	15,576,012	10,262,119	17,365,580	10,233,604	16,224,174
TOTAL	\$ 28,433,361	\$ 28,214,300	\$ 26,786,196	\$ 28,430,361	\$ 25,744,202	\$ 28,877,793	\$ 26,112,629
FTE Positions	393.0	393.0	393.0	393.0	393.0	393.0	393.0
Non-FTE Uncl. Perm. Pos.	16.0	47.0	47.0	48.0	48.0	48.0	48.0
TOTAL	409.0	440.0	440.0	441.0	441.0	441.0	441.0

The **agency** requests FY 2016 expenditures of \$28,430,361, including \$18,168,242 from the State General Fund, for the Tax Operations Division. The request is an all funds increase of \$216,061, or 0.8 percent, and a State General Fund increase of \$6,556,629, or 56.5 percent, above the agency's revised FY 2015 estimate. The State General Fund increase is attributable to the replacement of revenue received from the State Highway Fund in the proceeding years. The all funds increase is attributable to increased salary and wage expenditures, partially

offset by reduced contractual service and capital outlay expenditures. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests \$21,815,912, including \$15,999,542 from the State General Fund, for salaries and wages in FY 2015. The revised estimate is an all funds

increase of \$870,569, or 4.2 percent, and a State General Fund increase of \$4,630,921, or 40.7 percent, above the agency's revised FY 2015 estimate. The State General Fund increase is attributable to the replacement of revenue that had been received from the State Highway Fund in the proceeding years. The all funds increase is attributable to increased wages for temporary employees and fringe benefit expenditures.

- **Contractual Services.** The agency requests \$2,108,228, including \$1,414,479 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of \$781,993, or 27.1 percent, below and a State General Fund increase of \$1,235,087, or 688.5 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to the conclusion of the agency's contract with IQ or for the development of online tax filing software.
- **Capital Outlay.** The agency requests \$15,625, including \$10,225 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of \$61,025, or 79.6 percent, and a State General Fund decrease of \$53,375, or 83.9 percent, below the agency's revised FY 2015 estimate. The decrease is due to the one time expense of predictive dialing software that was requested in FY 2015.

The **Governor** recommends FY 2016 operating expenditures of \$25,744,202 including \$8,378,622 from the State General Fund. The request is an all funds decrease of \$2,686,159, or 9.4 percent, including a State General Fund decrease of \$9,789,620, or 53.9 percent, below the agency's FY

2016 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

The **agency** requests \$28,877,793, including \$18,644,189 from the State General Fund, for Tax Operations Division in FY 2017. The request is an all funds increase of 447,432, or 1.6 percent, and a State General Fund increase of \$475,947, or 2.6 percent, above the agency's FY 2016 request. The all funds increase is attributable to increased salary and wage expenditures, partially offset by reduced contractual service expenditures. Major changes from the agency's FY 2016 request include the following:

- **Salaries and Wages.** The agency requests \$22,537,532, including \$16,475,489 from the State General Fund, for salaries and wages in FY 2017. The request is an all funds increase of \$721,620, or 3.3 percent, and a State General Fund increase of \$475,947, or 3.0 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in the fiscal year.
- **Contractual Services.** The agency requests \$2,034,590, including \$1,414,529 from the State General Fund for contractual services in FY 2017. The request is an all funds decrease of \$73,638, or 3.5 percent, below and a State General Fund increase of \$50, or 0.1 percent, above the agency's FY 2016 request. The

decrease is attributable to reduce postage expenditures.

- **Other Assistance.** The agency requests \$3,500,000, all from special revenue funds, for other assistance in FY 2017. The request is a decrease of \$200,000, or 5.4 percent, below the agency's FY 2016 request. The decrease is attributable to the July 1, 2016 expiration of the Kansas Qualified Biodiesel Fuel Producer Incentive Fund.

E. Property Valuation Division

The Property Valuation Division works to promote accurate, uniform appraisals and compliance with the property assessment laws and rules of the state. The division is organized into three bureaus: Administration, State Appraisal, and County Assistance.

The Administration Bureau provides overall direction and policy guidelines for the Division and for the counties. It administers the eligibility standards for county appraisers and

The **Governor** recommends FY 2017 operating expenditures of \$26,112,629 including \$9,888,455 from the State General Fund. The request is an all funds decrease of \$2,765,164, or 9.6 percent, including a State General Fund decrease of \$8,755,734, or 47.0 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

provides education for counties and the public. The Computer Assisted Mass Appraisal (CAMA) System is the responsibility of the Administration Bureau. The State Appraisal Bureau centrally assesses public utilities and motor carriers; the bureau publishes valuations guidelines that are used by the counties to assess oil and gas properties as well as personal property. County Assistance provides technical assistance to the county appraisers and publishes data on overall uniformity and accuracy of appraisals.

**PROPERTY VALUATION DIVISION
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 2,886,117	\$ 2,950,305	\$ 2,922,368	\$ 2,816,356	\$ 2,785,405	\$ 2,944,054	\$ 2,912,483
Contractual Services	938,920	1,291,592	1,291,592	1,291,592	1,291,592	1,291,592	1,291,592
Commodities	29,726	33,915	33,915	33,915	33,915	33,915	33,915
Capital Outlay	33,750	307,280	307,280	307,280	307,280	307,280	307,280
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 3,888,513	\$ 4,583,092	\$ 4,555,155	\$ 4,449,143	\$ 4,418,192	\$ 4,576,841	\$ 4,545,270
Aid to Local Units	0	20,000	20,000	20,000	20,000	20,000	20,000
Other Assistance	0	0	0	0	0	0	0
TOTAL	\$ 3,888,513	\$ 4,603,092	\$ 4,575,155	\$ 4,469,143	\$ 4,438,192	\$ 4,596,841	\$ 4,565,270
Financing:							
State General Fund	\$ 715,126	\$ 1,307,647	\$ 1,295,793	\$ 1,872,527	\$ 1,852,926	\$ 1,970,239	\$ 1,950,245
All Other Funds	3,173,387	3,295,445	3,279,362	2,596,616	2,585,266	2,626,602	2,615,025
TOTAL	\$ 3,888,513	\$ 4,603,092	\$ 4,575,155	\$ 4,469,143	\$ 4,438,192	\$ 4,596,841	\$ 4,565,270
FTE Positions	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Non-FTE Uncl. Perm. Pos.	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	47.0	47.0	47.0	47.0	47.0	47.0	47.0

The **agency** requests FY 2016 expenditures of \$4,469,143, including \$1,872,527 from the State General Fund, for the Property Valuation Division. The request is an all funds decrease of \$133,949, or 2.9 percent, below and a State General Fund increase of \$564,880, or 43.2 percent, above the agency's revised FY 2015 estimate. The decrease is attributable to reduced salary and wage expenditures, specifically reduced classified regular employee wages. The increased State

General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years.

The **Governor** recommends FY 2016 operating expenditures of \$4,438,192, including \$1,852,926 from the State General Fund for the Property Valuation Division. The request is an all funds decrease of \$30,951, or 0.7 percent, and a State General Fund decrease of \$19,601, or 1.0 percent, below the agency's FY 2016 request. The decrease is attributable to

reduced employer contributions for state employee health insurance.

The **agency** requests FY 2017 expenditures of \$4,596,841, including \$1,970,239 from the State General Fund, for the Property Valuation Division. The request is an all funds increase of \$127,698, or 2.9 percent, and a State General Fund increase of \$97,712, or 5.2 percent, above the agency's revised FY 2015 estimate. The all funds increase is attributable to increased salary and wage expenditures, specifically the 27th pay period that occurs in the fiscal year.

F. Division of Vehicles

The Division of Vehicles is comprised of the Vehicle Director's Office and four bureaus. The Title and Registration Bureau helps citizens to title and register personal vehicles; it is also responsible for the licensing and monitoring of automobile dealers. The Motor Carrier Services Bureau oversees the title

The **Governor** recommends FY 2017 operating expenditures of \$4,565,270, including \$1,950,025 from the State General Fund for the Property Valuation Division. The request is an all funds decrease of \$31,571, or 0.7 percent, and a State General Fund decrease of \$19,994, or 1.0 percent, below the agency's FY 2017 request. The decrease is attributable to reduced employer contributions for state employee health insurance.

and registration process for large commercial vehicles. The Driver's License Bureau is responsible for licensing drivers, and the Driver Control Bureau enforces penalties and driver restrictions.

**DIVISION OF VEHICLES
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 12,321,863	\$ 13,963,612	\$ 13,844,808	\$ 14,276,212	\$ 14,112,457	\$ 14,669,912	\$ 14,497,542
Contractual Services	7,372,892	9,498,447	9,498,447	7,879,367	7,879,367	7,005,002	7,005,002
Commodities	3,498,899	3,347,901	3,347,901	3,347,901	3,347,901	3,347,901	3,347,901
Capital Outlay	595,971	140,426	140,426	98,426	98,426	98,426	98,426
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 23,789,625	\$ 26,950,386	\$ 26,831,582	\$ 25,601,906	\$ 25,438,151	\$ 25,121,241	\$ 24,948,871
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	24	0	0	0	0	0	0
TOTAL	<u>\$ 23,789,649</u>	<u>\$ 26,950,386</u>	<u>\$ 26,831,582</u>	<u>\$ 25,601,906</u>	<u>\$ 25,438,151</u>	<u>\$ 25,121,241</u>	<u>\$ 24,948,871</u>
Financing:							
State General Fund	\$ 106	\$ 0	\$ 0	\$ 13,404,442	\$ 18,700	\$ 13,904,471	\$ 18,700
All Other Funds	23,789,543	26,950,386	26,831,582	12,197,464	25,419,451	11,216,770	24,930,171
TOTAL	<u>\$ 23,789,649</u>	<u>\$ 26,950,386</u>	<u>\$ 26,831,582</u>	<u>\$ 25,601,906</u>	<u>\$ 25,438,151</u>	<u>\$ 25,121,241</u>	<u>\$ 24,948,871</u>
FTE Positions	255.0	265.0	265.0	265.0	265.0	265.0	265.0
Non-FTE Uncl. Perm. Pos.	15.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL	<u>270.0</u>	<u>283.0</u>	<u>283.0</u>	<u>283.0</u>	<u>283.0</u>	<u>283.0</u>	<u>283.0</u>

The **agency** requests FY 2016 operating expenditures of \$25,601,906, including \$13,404,442 from the State General Fund, for the Division of Vehicles. The request is an all funds decrease of \$1,348,480, or 5.0 percent, below and a State General Fund increase of \$13,404,442, or 100.0 percent, above the agency's revised FY 2015 request. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years. The all funds decrease is attributable to reduced contractual services

and capital outlay expenditures, partially offset by increased salary and wage expenditures. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests \$14,276,212, including \$9,912,542 from the State General Fund, for salaries and wages in FY 2016. The request is an all funds increase of

\$312,600, of 2.2 percent, and a State General Fund increase of \$9,912,542, or 100.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to reduced shrinkage.

- **Contractual Services.** The agency requests \$7,879,367, including \$2,246,318 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of \$1,619,080, or 17.0 percent, below and a State General Fund increase of \$2,246,318, or 100.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced expenditures to meet the available revenue.
- **Capital Outlay.** The agency estimates \$98,426, including \$18,700 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of \$42,000, or 29.9 percent, below and a State General Fund increase of \$18,700, or 100.0 percent, above the agency's revised FY 2015 estimate. The decrease is attributable to the one time replacement of passenger vehicles in FY 2015.

The **Governor** recommends FY 2016 operating expenditures of \$25,438,151 including \$18,700 from the State General Fund. The request is an all funds decrease of \$163,755, or 0.6 percent, including a State General Fund decrease of \$13,385,742, or 99.9 percent, below the agency's FY 2016 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's

recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

The **agency** requests FY 2017 operating expenditures of \$25,121,241, including \$13,904,471 from the State General Fund, for the Division of Vehicles. The request is an all funds decrease of \$480,665, or 1.9 percent, below and a State General Fund increase of \$500,029, or 3.7 percent, above the agency's FY 2016 request. The all funds decrease is attributable to decreased contractual service expenditures offset partially by increased salary and wage expenditures.

- **Salaries and Wages.** The agency requests \$14,669,912, including \$10,411,352 from the State General Fund. The request is an all funds increase of \$393,700, or 2.8 percent, and a State General Fund increase of \$498,810, or 5.0 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in the fiscal year.
- **Contractual Services.** The agency requests \$7,005,002, including \$2,247,537 from the State General Fund, for contractual services in FY 2017. The request is an all funds decrease of \$874,365, of 11.1 percent, below and a State General Fund increase of \$1,219, or 0.1 percent, above the agency's FY 2016 request. The all funds decrease is attributable to reduced expenditures to meet the available revenue.

The **Governor** recommends FY 2017 operating expenditures of \$24,948,871 including \$18,700 from the State General Fund. The request is an all funds decrease of \$172,370, or 0.7 percent, including a State General Fund

decrease of \$13,885,771 or 99.9 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State

General Fund decrease is attributable to the Governor's recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

PERFORMANCE MEASURES					
<u>Measure</u>	<u>Gov. Rec. for FY 2014</u>	<u>Actual FY 2014</u>	<u>Gov. Rec. FY 2015</u>	<u>Gov. Rec. FY 2016</u>	<u>Gov. Rec. FY 2017</u>
Percent of aid payments distributed on schedule	100.0%	100.0%	100.0%	100.0%	100.0%
Number of corporate income tax audits issued	--	40	40	40	40