

# KANSAS DEPARTMENT OF REVENUE

Expenditure	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:					
State General Fund	\$ 14,083,288	\$ 12,579,521	\$ 13,079,521	\$ 15,137,182	\$ 16,537,182
Other Funds	105,140,700	100,981,862	99,353,415	85,594,373	81,532,373
TOTAL	\$ 119,223,988	\$ 113,561,383	\$ 112,432,936	\$ 100,731,555	\$ 98,069,555
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>GRAND TOTAL</b>	<b>\$ 119,223,988</b>	<b>\$ 113,561,383</b>	<b>\$ 112,432,936</b>	<b>\$ 100,731,555</b>	<b>\$ 98,069,555</b>

## Percentage Change:

Operating Expenditures					
State General Fund	(1.7) %	(10.7) %	(7.1) %	20.3 %	26.4 %
All Funds	5.1	(4.7)	(5.7)	(11.3)	(12.8)
FTE Positions	944.0	920.7	941.7	920.7	968.7
Non-FTE Perm.Uncl.Pos.	128.0	152.3	152.3	152.3	152.3
TOTAL	1,072.0	1,073.0	1,094.0	1,073.0	1,121.0

## 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;
- Aid to Local Units of Government provides for the distribution of certain State collected taxes and fees to local units of government as aid;
- Alcoholic Beverage Control (ABC) regulates the sale and distribution of alcoholic beverages and enforces bingo and tobacco regulations;
- Tax Operations Division 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; and
- Motor Vehicles (DOV) issues titles, registers vehicles, and licenses drivers.

## 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 that 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 2006 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;
- \$314,000 from the County Drug Tax Fund to the State General Fund; and
- \$1,570,000 from the Special County Mineral Production Tax Fund to the State General Fund.

The **2009 Legislature** reduced the transfer from the EDIF 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 applied to delinquent tax liabilities for tax periods that ended on or before December 31, 2008. The amnesty did not apply if the taxpayer had received a notice of an audit or assessment or if the time for an appeal had not yet expired. The Department could 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 that assessed watercraft at 11.5 percent for 2014 and 5.0 percent for 2015 and all years after. The Legislature passed 2013 SB 164 which allows the Department to appoint contractors to perform any services associated with vehicle functions.

The **2014 Legislature** passed House Sub. for SB 245 which amended 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 abolished the OGVDTF on July 1, 2016. The bill also created the Mineral Production Education Fund (MPEF) on July 1, 2016. Beginning in FY 2017, the bill credited 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).

The **2015 Legislature** passed House Sub. for SB 112 which, among other things, included language to deposit \$1 of the \$4 Division of Vehicles Modernization Surcharge for total

receipts not to exceed \$1.0 million in the Division of Vehicles Modernization Fund for FY 2016 and FY 2017.

## **BUDGET SUMMARY AND KEY POINTS**

**FY 2016 – Current Year.** The **agency** requests a revised estimate in FY 2016 expenditures of \$113,561,383, including \$12,579,521 from the State General Fund. The all funds request is a decrease of \$5,237,773, or 4.4 percent, below the amount approved by the 2015 Legislature, the State General Fund request is the same as the amount approved. The all funds decrease is primarily attributable to reduced aid to local units almost entirely as a result of reduced severance tax receipts from lower than expected oil and gas production due to falling prices, accompanied by reduced expenditures on commodities. These decreases are partially offset by increased expenditures on salaries and wages and capital outlay. The agency requests 920.7 FTE positions and 152.3 non-FTE unclassified permanent positions for a total of 1,073.0 positions, the same as the amount approved by the 2015 Legislature.

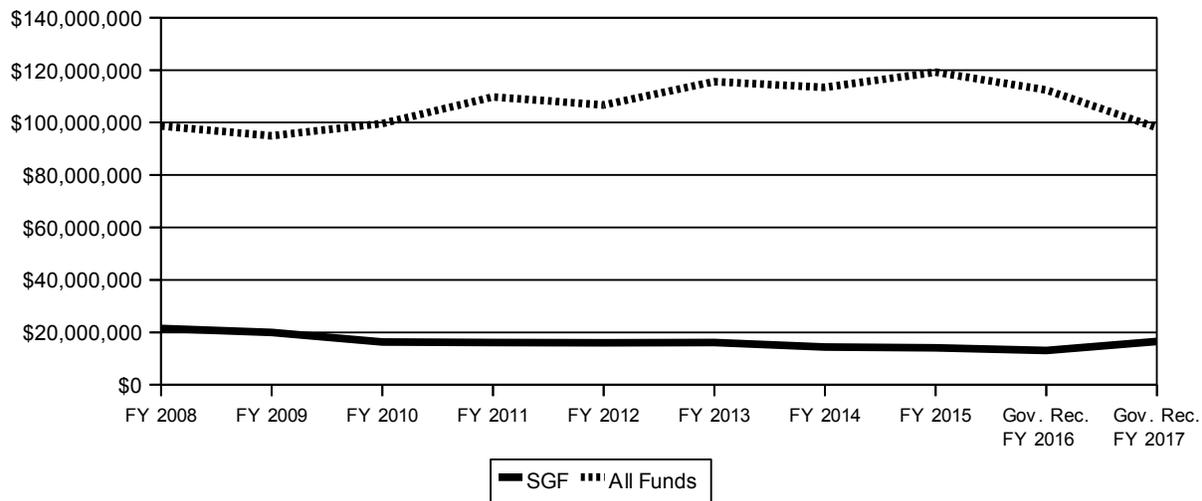
The **Governor** concurs with the agency's revised estimate in FY 2016 and further recommends the following: add \$500,000, all from the State General Fund, and 21.0 FTE positions in the Tax Operations program to enhance delinquent tax debt collections; reduce expenditures from the Kansas Qualified Agricultural Ethyl Alcohol Producer Fund by \$1.6 million and transfer \$3.5 million to the State General Fund; and transfer \$52,497 from the Hazmat Fee Fund to the State General Fund.

**FY 2017 – Budget Year.** The **agency** requests a revised estimate for FY 2017 expenditures of \$100,731,555, including \$15,137,182 from the State General Fund. The all funds request is a decrease of \$513,897, or less than 1.0 percent, below the amount approved by the 2015 Legislature, the State General Fund request is the same as the amount approved. The all funds decrease is primarily attributable to reduced aid to local units almost entirely as a result of reduced severance tax receipts from lower than expected oil and gas production due to falling prices, accompanied by reduced expenditures on commodities. These decreases are partially offset by increased expenditures on salaries and wages and capital outlay. The agency requests 920.7 FTE positions and 152.3 non-FTE unclassified permanent positions for a total of 1,073.0 positions, the same as the amount approved by the 2015 Legislature.

The **Governor** concurs with the agency's revised estimate for FY 2017 and further recommends the following: add \$2.4 million, all from the State General Fund, and 27.0 new FTE positions (48.0 total FTE including the 21.0 recommended in FY 2016) in the Tax Operations program to enhance delinquent tax debt collections; reduce expenditures from the Kansas Qualified Agricultural Ethyl Alcohol Producer Fund by \$3.5 million and transfer this amount to the State General Fund (there are no planned expenditures from this fund for FY 2017); reduce expenditures from the State General Fund by \$1.0 million (continuation of \$1.0 million reduction made in FY 2016); and, reduce expenditures from the Division of Vehicles Operating Fund by \$562,000, transferring this amount to the State General Fund to allow the agency to send out postcards in lieu of vehicle registration notice letters.

# BUDGET TRENDS

## OPERATING EXPENDITURES FY 2008 – FY 2017



## OPERATING EXPENDITURES FY 2008 – FY 2017

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
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	14,083,288	(1.7)	119,223,988	5.1	944.0
2016 Gov. Rec.	13,079,521	(7.1)	112,432,936	(5.7)	941.7
2017 Gov. Rec.	16,537,182	26.4	98,069,555	(12.8)	968.7
Ten-Year Change Dollars/Percent	\$ (4,976,247)	(23.1)%	\$ (612,143)	(0.6)%	(227.4)

## Summary of Operating Budget FY 2015 - FY 2017

	Actual 2015	Agency Estimate				Governor's Recommendation			
		Estimate FY 2016	Estimate 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
<b>By Program:</b>									
Administration	\$ 29,672,994	\$ 29,766,352	\$ 32,324,698	\$ 2,558,346	8.6 %	\$ 29,766,352	\$ 32,324,698	\$ 2,558,346	8.6 %
Aid to Locals	30,919,155	21,137,994	6,554,381	(14,583,613)	(69.0)	21,137,994	6,554,381	(14,583,613)	(69.0)
Alcohol Beverage Control	3,744,663	2,878,616	2,797,582	(81,034)	(2.8)	2,878,616	2,797,582	(81,034)	(2.8)
Tax Administration	28,299,981	29,570,728	29,537,892	(32,836)	(0.1)	28,442,281	27,437,892	(1,004,389)	(3.5)
Property Valuation	3,746,077	4,068,368	4,159,732	91,364	2.2	4,068,368	4,159,732	91,364	2.2
Motor Vehicles	22,841,118	26,139,325	25,357,270	(782,055)	(3.0)	26,139,325	24,795,270	(1,344,055)	(5.1)
<b>TOTAL</b>	<b>\$ 119,223,988</b>	<b>\$ 113,561,383</b>	<b>\$ 100,731,555</b>	<b>\$ (12,829,828)</b>	<b>(11.3) %</b>	<b>\$ 112,432,936</b>	<b>\$ 98,069,555</b>	<b>\$ (14,363,381)</b>	<b>(12.8) %</b>
<b>By Major Object of Expenditure:</b>									
Salaries and Wages	\$ 56,974,152	\$ 56,545,219	\$ 57,525,678	\$ 980,459	1.7 %	\$ 57,045,219	\$ 58,925,678	\$ 1,880,459	3.3 %
Contractual Services	23,281,949	26,107,199	27,617,621	1,510,422	5.8	26,107,199	27,055,621	948,422	3.6
Commodities	3,597,021	4,317,760	4,294,723	(23,037)	(0.5)	4,317,760	4,294,723	(23,037)	(0.5)
Capital Outlay	1,616,011	1,548,063	1,055,049	(493,014)	(31.8)	1,548,063	1,055,049	(493,014)	(31.8)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 85,469,133	\$ 88,518,241	\$ 90,493,071	\$ 1,974,830	2.2 %	\$ 89,018,241	\$ 91,331,071	\$ 2,312,830	2.6 %
Aid to Local Units	30,919,155	21,137,994	6,554,381	(14,583,613)	(69.0)	21,137,994	6,554,381	(14,583,613)	(69.0)
Other Assistance	2,835,700	3,905,148	3,684,103	(221,045)	(5.7)	2,276,701	184,103	(2,092,598)	(91.9)
<b>TOTAL</b>	<b>\$ 119,223,988</b>	<b>\$ 113,561,383</b>	<b>\$ 100,731,555</b>	<b>\$ (12,829,828)</b>	<b>(11.3) %</b>	<b>\$ 112,432,936</b>	<b>\$ 98,069,555</b>	<b>\$ (14,363,381)</b>	<b>(12.8) %</b>
<b>Financing:</b>									
State General Fund	\$ 14,083,288	\$ 12,579,521	\$ 15,137,182	\$ 2,557,661	20.3 %	\$ 13,079,521	\$ 16,537,182	\$ 3,457,661	26.4 %
Div. Of Vehicles Operating Fund	46,731,691	46,207,510	48,037,191	1,829,681	4.0	46,207,510	47,475,191	1,267,681	2.7
Oil/Gas Valuation Depletion Trust Fund	19,165,119	14,894,654	0	(14,894,654)	(100.0)	14,894,654	0	(14,894,654)	(100.0)
Electronic Databases Fee Fund	11,278,718	12,284,575	11,669,334	(615,241)	(5.0)	12,284,575	11,669,334	(615,241)	(5.0)
Special County Mineral Production Fund	10,272,455	5,200,000	550,000	(4,650,000)	(89.4)	5,200,000	5,500,000	300,000	5.8
Photo Fee Fund	5,418,991	5,912,894	5,918,874	5,980	0.1	5,912,894	5,918,874	5,980	0.1
All Other Funds	12,273,726	16,482,229	19,418,974	2,936,745	17.8	14,853,782	10,968,974	(3,884,808)	(26.2)
<b>TOTAL</b>	<b>\$ 119,223,988</b>	<b>\$ 113,561,383</b>	<b>\$ 100,731,555</b>	<b>\$ (12,829,828)</b>	<b>(11.3) %</b>	<b>\$ 112,432,936</b>	<b>\$ 98,069,555</b>	<b>\$ (14,363,381)</b>	<b>(12.8) %</b>

# BUDGET OVERVIEW

## A. FY 2016 – Current Year

### Adjustments to Approved State General Fund Budget

The 2015 Legislature approved a State General Fund budget of \$13,550,878 for the Department of Revenue in FY 2016. Several 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 \$28,643, based on the reappropriation of FY 2015 funding which was not spent in FY 2015 and has shifted to FY 2016; and
- A reduction of \$1,000,000, on July 30th as the result of the authority given under 2015 Senate Sub. for HB 2135.

These adjustments change the FY 2016 approved State General Fund to \$12,579,521. That amount is reflected in the table below as the currently approved FY 2016 State General Fund amount.

	<b>CHANGE FROM APPROVED BUDGET</b>				
	Legislative Approved FY 2016	Agency Estimate FY 2016	Agency Change from Approved	Governor Rec. FY 2016	Governor Change from Approved
State General Fund	\$ 12,579,521	\$ 12,579,521	\$ 0	\$ 13,079,521	\$ 500,000
All Other Funds	106,219,635	100,981,862	(5,237,773)	99,353,415	(6,866,220)
<b>TOTAL</b>	<b><u>\$ 118,799,156</u></b>	<b><u>\$ 113,561,383</u></b>	<b><u>\$ (5,237,773)</u></b>	<b><u>\$ 112,432,936</u></b>	<b><u>\$ (6,366,220)</u></b>
FTE Positions	944.0	920.7	(23.3)	941.7	(2.3)

The **agency** requests FY 2016 expenditures of \$113,561,383, including \$12,579,521 from the State General Fund. The all funds request is a decrease of \$5,237,773, or 4.4 percent, below the amount approved by the 2015 Legislature, the State General Fund request is the same as the amount approved. The all funds decrease is primarily attributable to reduced aid to local units almost entirely as a result of reduced severance tax receipts from lower than expected oil and gas production due to falling prices, accompanied by reduced expenditures on commodities. These decreases are partially offset by increased expenditures on salaries and wages, contractual services, and capital outlay. The agency requests 920.7 FTE positions and 152.3 non-FTE unclassified permanent positions for a total of 1,073.0 positions, the same as the amount approved by the 2015 Legislature. Major changes from the approved amount include the following items:

- **Salaries and Wages.** The agency estimates \$56,545,219, including \$11,847,335 from the State General Fund, for salaries and wages in FY 2016. The revised estimate is an all funds increase of \$2,844,197, or 5.3 percent, and a State General Fund increase of \$1,081,154, or 10.0 percent, above the amount

approved by the 2015 Legislature. The increase is attributable to reduced shrinkage, filling vacant positions, specifically within the Tax Administration program, and the fringe benefit costs associated with those positions;

- **Contractual Services.** The agency estimates \$26,107,199, including \$475,958 from the State General Fund, for contractual services in FY 2016. The revised estimate is an all funds increase of \$74,396, or less than 1.0 percent, above the amount approved by the 2015 Legislature. The State General Fund request is a decrease of \$1,238,964, or 72.2 percent, below the amount approved by the 2015 Legislature. The all funds increase is attributable to ongoing information technology projects including cloud based initiatives like email and other project management forums, including the Division of Vehicles Modernization project;
- **Commodities.** The agency estimates \$4,317,760, including \$225,373 from the State General Fund, for commodities in FY 2016. The revised estimate is an all funds decrease of \$477,745, or 10.0 percent, and a State General Fund decrease of \$693,968, or 75.5 percent below the amount approved by the 2015 Legislature. The decrease is predominately attributable to reduced expenditures on vehicle license tag inventory;
- **Capital Outlay.** The agency estimates \$1,548,063, including \$9,810 from the State General Fund, for capital outlay in FY 2016. The revised estimate is an all funds increase of \$608,964, or 64.8 percent, above the amount approved by the 2015 Legislature. The State General Fund request is a decrease of \$86,883, or 89.9 percent, below the amount approved by the 2015 Legislature. The all funds increase is primarily attributable to electronic communication, specifically as it relates to drivers license locations for the relocation of the Derby office; and
- **Aid to Local Units.** The agency estimates \$21,137,994, all from special revenue funds, for aid to local units of government in FY 2016. The revised estimate is a decrease of \$9,016,246, or 29.9 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to lower than expected oil and gas production due to falling prices.

The **Governor** concurs with the agency's revised estimate in FY 2016 and further recommends the following: add \$500,000, all from the State General Fund, and 21.0 FTE positions in the Tax Operations program to enhance delinquent tax debt collections; reduce expenditures from the Kansas Qualified Agricultural Ethyl Alcohol Producer Fund by \$1.6 million and transfer \$3.5 million to the State General Fund; and transfer \$52,497 from the Hazmat Fee Fund to the State General Fund.

## Governor's Allotments

The 2015 Legislature, through the enactment of Senate Sub. for HB 2135, authorized the Director of the Division of the Budget to lapse appropriations or transfer funding from special revenue funds to the State General Fund (SGF), up to a total of \$100.0 million, at any time during FY 2016 if the Director determines the unencumbered ending balance of the SGF for FY 2016 will be less than \$100.0 million. This authority does not apply to appropriations for the Judicial Branch, Legislative Branch agencies, debt service, employer contributions to the Kansas Public Employees Retirement System (KPERs), the Department of Education (except the agency's operating expenditures account), or demand transfers to the school district capital improvements fund. On July 30, 2015, the Director announced various SGF lapses and transfers totaling \$60.7 million of which \$17.7 million require legislative approval.

On November 6, 2015, the Consensus Revenue Estimating Group met to revise the SGF Revenue Estimate for FY 2016. The estimate was decreased by \$159.1 million, for FY 2016. Excluding Governor recommended legislative adjustments, the ending balance for FY 2016 was estimated to require \$135.9 million in adjustments to achieve a zero ending balance. This estimate assumes that human services caseloads are funded at the recommended level and school finance KPERs contributions are reduced to reflect current estimates. As a result, on November 6, 2015 the Director exercised his authority under Senate Sub. for HB 2135 to make an additional \$56.9 million in revenue adjustments. The Governor further made \$52.6 million in expenditure reductions under the Governor's allotment authority. Finally, the Governor recommended the Legislature make an additional \$14.3 million in revenue adjustments.

Between the July and November adjustments, the Governor has reduced expenditures by a total of \$73.2 million, made \$79.4 million in revenue adjustments, and recommended the Legislature enact an additional \$32.0 million through the allotment authority and authority under 2015 Senate Sub. for HB 2135 or the special allotment statute. These adjustments, including the recommended Legislative adjustments, would result in a State General Fund ending balance of approximately \$5.6 million in FY 2016. This estimate excludes monthly SGF receipts subsequent to the November 6, 2015 consensus revenue estimate and any further adjustments made within the FY 2016 Governor's Budget Recommendation. The impact of these adjustments on this agency is described below.

<b>GOVERNOR'S ALLOTMENTS</b>			
Allotment	SGF	All Funds	FTE
July Special Allotment			
SGF Operating Expenditures Reduction	\$ (1,000,000)	\$ (1,000,000)	0.0

### July Allotment

Funding for the Department of Revenue was reduced by \$1.0 million in FY 2016 under the authority given to the Governor in 2015 Senate Sub. for HB 2135. Reductions were made across the agency to absorb the lapse; the agency has reduced the planned replacement of computer hardware, delayed planned conversions to new software, and reduced travel.

## B. FY 2017 – Budget Year

### Adjustments to Approved State General Fund Budget

The 2015 Legislature approved a State General Fund budget of \$15,137,182 for the Department of Revenue in FY 2017. No adjustments have subsequently been made to that amount.

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2017	Agency Estimate FY 2017	Agency Change from Approved	Governor Rec. FY 2017	Governor Change from Approved
State General Fund	\$ 15,137,182	\$ 15,137,182	\$ 0	\$ 16,537,182	\$ 1,400,000
All Other Funds	86,108,270	85,594,373	(513,897)	81,532,373	(4,575,897)
<b>TOTAL</b>	<b>\$ 101,245,452</b>	<b>\$ 100,731,555</b>	<b>\$ (513,897)</b>	<b>\$ 98,069,555</b>	<b>\$ (3,175,897)</b>
FTE Positions	944.0	920.7	(23.3)	968.7	24.7

The **agency** requests a revised estimate FY 2017 expenditures of \$100,731,555, including \$15,137,182 from the State General Fund. The all funds request is a decrease of \$513,897, or less than 1.0 percent, below the amount approved by the 2015 Legislature, the State General Fund request is the same as the amount approved. The all funds decrease is primarily attributable to reduced aid to local units almost entirely as a result of reduced severance tax receipts from lower than expected oil and gas production due to falling prices, accompanied by reduced expenditures on commodities. These decreases are partially offset by increased expenditures on salaries and wages, contractual services, and capital outlay. The agency requests 920.7 FTE positions and 152.3 non-FTE unclassified permanent positions for a total of 1,073.0 positions, the same as the amount approved by the 2015 Legislature. Major changes from the approved amount include the following items:

- **Salaries and Wages.** The agency estimates \$57,525,678, including \$13,691,139 from the State General Fund, for salaries and wages for FY 2017. The revised estimate is an all funds increase of \$3,295,024, or 6.1 percent, and a State General Fund increase of \$1,372,342 or 11.1 percent, above the amount approved by the 2015 Legislature. The increase is attributable to reduced shrinkage. The agency is planning on filling positions that were previously held open for budgetary purposes;
- **Contractual Services.** The agency estimates \$27,6147,621, including \$1,161,183 from the State General Fund, for contractual services for FY 2017. The revised estimate is an all funds increase of \$2,440,913, or 9.7 percent, above the amount approved by the 2015 Legislature. The State General Fund request is a decrease of \$588,477, or 33.6 percent, below the amount approved by the 2015 Legislature. The all funds increase is attributable to ongoing information technology projects including cloud based initiatives like email and other project management forums, including the Division of Vehicles Modernization project;
- **Commodities.** The agency estimates \$4,294,723, including \$275,050 from the State General Fund, for commodities for FY 2017. The revised estimate is an all

funds decrease of \$503,184, or 10.5 percent, and a State General Fund decrease of \$644,241, or 70.1 percent, below the amount approved by the 2015 Legislature. The decrease is attributable predominately attributable to reduced expenditures on vehicle license tag inventory;

- **Capital Outlay.** The agency estimates \$1,055,049, including \$9,810 from the State General Fund, for capital outlay for FY 2017. The revised estimate is an all funds increase of \$116,950, or 12.5 percent, above the amount approved by the 2015 Legislature. The State General Fund request is a decrease of \$85,883, or 89.7 percent, below the amount approved by the 2015 Legislature. The all funds increase is attributable to reduced computer hardware and software maintenance expenditures; and
- **Aid to Local Units.** The agency estimates \$6,554,381, all from special revenue funds, for aid to local units of government for FY 2017. The revised estimate is a decrease of \$5,599,859, or 46.1 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to lower than expected oil and gas production due to falling prices.

The **Governor** concurs with the agency's revised estimate for FY 2017 and further recommends the following: add \$2.4 million, all from the State General Fund, and 27.0 new FTE positions (48.0 total FTE including the 21.0 recommended in FY 2016) in the Tax Operations program to enhance delinquent tax debt collections; reduce expenditures from the Kansas Qualified Agricultural Ethyl Alcohol Producer Fund by \$3.5 million and transfer this amount to the State General Fund (there are no planned expenditures from this fund for FY 2017); reduce expenditures from the State General Fund by \$1.0 million (continuation of \$1.0 million reduction made in FY 2016); and, reduce expenditures from the Division of Vehicles Operating Fund by \$562,000, transferring this amount to the State General Fund to allow the agency to send out postcards in lieu of vehicle registration notice letters.

## Funding Sources

Funding Source	Agency Est. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	15.0 %	16.9 %
Div. Of Vehicles Operating Fund	47.7	48.4
Oil/Gas Valuation Depletion Trust Fund	0.0	0.0
Electronic Databases Fee Fund	11.6	11.9
Special County Mineral Production Fund	0.5	5.6
Photo Fee Fund	5.9	6.0
All Other Funds	19.3	11.2
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>

**Note:** Details may not add to totals due to rounding.

## Division of Vehicles Operating Fund Analysis

The two 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 and the Electronic Databases Fee 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.

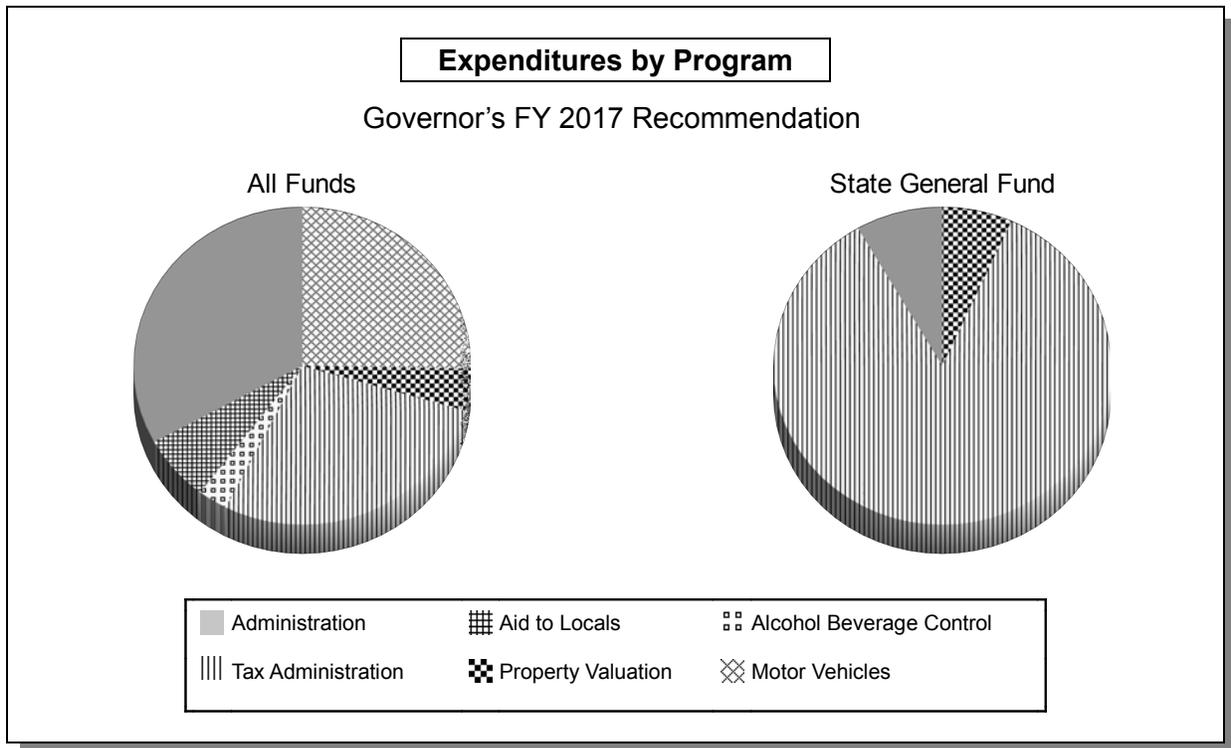
Resource Estimate	Actual FY 2015	Agency Estimate FY 2016	Gov. Rec. FY 2016	Agency Estimate FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 1,022,186	\$ 1,055,807	\$ 1,055,807	\$ 1,858,308	\$ 1,858,308
Revenue	2,057,515	2,424,155	2,424,155	2,424,155	2,424,155
Transfers in	45,927,136	45,927,136	45,927,136	45,927,136	45,927,136
Total Funds Available	\$ 49,006,837	\$ 49,407,098	\$ 49,407,098	\$ 50,209,599	\$ 50,209,599
Less: Expenditures	46,731,691	46,207,510	46,207,510	48,037,191	47,475,191
Transfers Out	1,218,539	1,341,280	1,341,280	2,172,408	2,734,408
Off Budget Expenditures	800	0	0	0	0
Ending Balance	<u>\$ 1,055,807</u>	<u>\$ 1,858,308</u>	<u>\$ 1,858,308</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance as Percent of Expenditures	2.3%	4.0%	4.0%	0.0%	0.0%

## Electronic Databases Fee Fund Analysis

The Electronic Databases Fee Fund is funded through fees 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 2015	Agency Estimate FY 2016	Gov. Rec.. FY 2016	Agency Estimate FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 3,131,921	\$ 3,062,984	\$ 3,062,984	\$ 1,227,211	\$ 1,227,211
Revenue	11,123,939	10,448,802	10,448,802	10,448,802	10,448,802
Transfers in	85,842	0	0	0	0
Total Funds Available	\$ 14,341,702	\$ 13,511,786	\$ 13,511,786	\$ 11,676,013	\$ 11,676,013
Less: Expenditures	11,278,718	12,284,575	12,284,575	11,669,334	11,669,334
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 3,062,984</u>	<u>\$ 1,227,211</u>	<u>\$ 1,227,211</u>	<u>\$ 6,679</u>	<u>\$ 6,679</u>
Ending Balance as Percent of Expenditures	27.2%	10.0%	10.0%	0.1%	0.1%

# PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2017	Percent of Total	Gov. Rec. SGF FY 2017	Percent of Total
Administration	\$ 32,324,698	33.0 %	\$ 1,376,487	8.3 %
Aid to Locals	6,554,381	6.7	0	0.0
Alcohol Beverage Control	2,797,582	2.9	0	0.0
Tax Administration	27,437,892	28.0	14,050,157	85.0
Property Valuation	4,159,732	4.2	1,110,538	6.7
Motor Vehicles	24,795,270	25.3	0	0.0
<b>TOTAL</b>	<b>\$ 98,069,555</b>	<b>100.0 %</b>	<b>\$ 16,537,182</b>	<b>100.0 %</b>

**FTE POSITIONS BY PROGRAM FY 2015 – FY 2017**

Program	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Administration	192.0	169.5	169.5	169.5	169.5
Aid to Locals	0.0	0.0	0.0	0.0	0.0
Alcohol Beverage Control	48.0	39.5	39.5	39.5	39.5
Tax Administration	393.0	407.0	428.0	407.5	455.5
Property Valuation	46.0	46.3	46.2	46.3	46.2
Motor Vehicles	265.0	258.5	258.5	258.0	258.0
<b>TOTAL</b>	<b>944.0</b>	<b>920.7</b>	<b>941.7</b>	<b>920.7</b>	<b>968.7</b>

## 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.

<b>ADMINISTRATION SUMMARY OF EXPENDITURES FY 2015 – FY 2017</b>					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 14,663,196	\$ 15,638,954	\$ 15,638,954	\$ 16,187,382	\$ 16,187,382
Contractual Services	12,844,793	12,845,007	12,845,007	14,863,841	14,863,841
Commodities	537,537	455,775	455,775	458,904	458,904
Capital Outlay	1,327,836	621,468	621,468	630,468	630,468
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<i>\$ 29,373,362</i>	<i>\$ 29,561,204</i>	<i>\$ 29,561,204</i>	<i>\$ 32,140,595</i>	<i>\$ 32,140,595</i>
Aid to Local Units	0	0	0	0	0
Other Assistance	299,632	205,148	205,148	184,103	184,103
<b>TOTAL</b>	<b><u>\$ 29,672,994</u></b>	<b><u>\$ 29,766,352</u></b>	<b><u>\$ 29,766,352</u></b>	<b><u>\$ 32,324,698</u></b>	<b><u>\$ 32,324,698</u></b>
<b>Financing:</b>					
State General Fund	\$ 661,837	\$ 712,858	\$ 712,858	\$ 1,376,487	\$ 1,376,487
All Other Funds	29,011,157	29,053,494	29,053,494	30,948,211	30,948,211
<b>TOTAL</b>	<b><u>\$ 29,672,994</u></b>	<b><u>\$ 29,766,352</u></b>	<b><u>\$ 29,766,352</u></b>	<b><u>\$ 32,324,698</u></b>	<b><u>\$ 32,324,698</u></b>
FTE Positions	192.0	169.5	169.5	169.5	169.5
Non-FTE Uncl. Perm. Pos.	59.0	81.8	81.8	81.8	81.8
<b>TOTAL</b>	<b><u>251.0</u></b>	<b><u>251.3</u></b>	<b><u>251.3</u></b>	<b><u>251.3</u></b>	<b><u>251.3</u></b>

The **agency** requests FY 2017 operating expenditures of \$32,324,698, including \$1,376,487 from the State General Fund, for the administration program for FY 2017. The revised estimate is an all funds increase of \$2,638,922, or 8.9 percent, and a State General Fund increase of \$1,267,728, or 1,165.6 percent, above the amount approved by the 2015 Legislature. The agency requests 169.5 FTE positions, and 81.8 non-FTE Unclassified Permanent positions for a total of 251.3 positions, the same as the amount approved by the 2015 Legislature. Major changes from the approved amount include the following items:

- **Salaries and Wages.** The agency requests \$16,187,382, including \$482,165 from the State General Fund, for salaries and wages for FY 2017. The request is an all funds increase of \$1,407,105, or 9.5 percent, and a State General Fund increase of \$482,165, or 100.0 percent above the amount approved by the 2015 Legislature. The increase is attributable to the office of Special Investigations being moved to the Resource Management program within Administration;

- **Contractual Services.** The agency requests \$14,863,841, including \$844,360 from the State General Fund, for contractual services for FY 2017. The request is an all funds increase of \$1,378,192, or 10.2 percent, and a State General Fund increase of \$842,860, or 100.0 percent, above the amount approved by the 2015 Legislature. The increase is attributable to increased expenditures on rent and classifying all rent expenditures from all programs within the Administration program;
- **Commodities.** The agency requests \$458,904, including \$43,252 from the State General Fund, for commodities for FY 2017. The request is a decrease of \$9,584, or 2.0 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced expenditures on information technology equipment;
- **Capital Outlay.** The agency requests \$630,468, including \$6,710 from the State General Fund, for capital outlay for FY 2017. The request is an all funds increase of \$126,950, or 25.2 percent, above the amount approved by the 2015 Legislature. The request is a State General Fund decrease of \$46,808, or 87.5 percent, below the amount approved by 2015 Legislature. The all funds increase is attributable to software replacement and licensing fees; and
- **Other Assistance.** The agency requests \$184,103, all from special revenue funds, for other assistance for FY 2017. The request is an all funds decrease of \$263,741, or 58.9 percent, and a State General Fund decrease of \$53,741, or 100.0 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to payments made in association with the 2011 Voluntary Retirement Incentive Program as there are less former employees in the program than projected.

The **Governor** concurs with the agency's revised estimate for the Administration program for FY 2017.

### ***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 2015 – FY 2017**

Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	0	0	0	0	0
Commodities	0	0	0	0	0
Capital Outlay	0	0	0	0	0
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>
Aid to Local Units	30,919,155	21,137,994	21,137,994	6,554,381	6,554,381
Other Assistance	0	0	0	0	0
<b>TOTAL</b>	<b><u>\$ 30,919,155</u></b>	<b><u>\$ 21,137,994</u></b>	<b><u>\$ 21,137,994</u></b>	<b><u>\$ 6,554,381</u></b>	<b><u>\$ 6,554,381</u></b>
<b>Financing:</b>					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	30,919,155	21,137,994	21,137,994	6,554,381	6,554,381
<b>TOTAL</b>	<b><u>\$ 30,919,155</u></b>	<b><u>\$ 21,137,994</u></b>	<b><u>\$ 21,137,994</u></b>	<b><u>\$ 6,554,381</u></b>	<b><u>\$ 6,554,381</u></b>
FTE Positions	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
<b>TOTAL</b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>

The **agency** requests \$6,554,381, in aid to local units of government for FY 2017. The request is a decrease of \$5,579,859, or 46.0 percent, below the amount approved by the 2015 Legislature. The decrease from the FY 2016 estimate, of \$14.6 million, or 46.0 percent, 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:

- \$22,000 — Sand Royalty Fund, this amount is a decrease of \$12,250, or 35.8 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to fund expenditures being adjusted to reflect actual FY 2014 and FY 2015 receipts;
- \$232,381 — County Treasurers Vehicle Licensing Fund, this amount is an increase of \$57,131, or 32.6 percent, above the amount approved by the 2015 Legislature. The increase is attributable to the anticipated growth in receipts of Motor Vehicle Registration for FY 2017, reflecting the actual receipt trends from FY 2014 and FY 2015;
- \$5,500,000 — Special County Mineral Production Tax Fund, this amount is a decrease of \$5,400,000, or 49.5 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced aid to local units almost

entirely as a result of reduced severance tax receipts from lower than expected oil and gas production due to falling prices; and

- \$800,000 — County Drug Tax Fund, this amount is a decrease of \$224,740, or 21.9 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to fund expenditures being adjusted to reflect actual FY 2014 and FY 2015 receipts.

The **Governor** concurs with the agency's revised estimate for Aid to Local Units for FY 2017.

### **C. Alcohol Beverage Control**

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) 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.

<b>ALCOHOL BEVERAGE CONTROL SUMMARY OF EXPENDITURES FY 2015 – FY 2017</b>					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 3,233,101	\$ 2,390,437	\$ 2,390,437	\$ 2,472,167	\$ 2,472,167
Contractual Services	393,368	314,023	314,023	248,273	248,273
Commodities	95,381	69,842	69,842	69,842	69,842
Capital Outlay	22,813	104,314	104,314	7,300	7,300
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 3,744,663</u>	<u>\$ 2,878,616</u>	<u>\$ 2,878,616</u>	<u>\$ 2,797,582</u>	<u>\$ 2,797,582</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
<b>TOTAL</b>	<b><u>\$ 3,744,663</u></b>	<b><u>\$ 2,878,616</u></b>	<b><u>\$ 2,878,616</u></b>	<b><u>\$ 2,797,582</u></b>	<b><u>\$ 2,797,582</u></b>
<b>Financing:</b>					
State General Fund	\$ 23	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	<u>3,744,640</u>	<u>2,878,616</u>	<u>2,878,616</u>	<u>2,797,582</u>	<u>2,797,582</u>
<b>TOTAL</b>	<b><u>\$ 3,744,663</u></b>	<b><u>\$ 2,878,616</u></b>	<b><u>\$ 2,878,616</u></b>	<b><u>\$ 2,797,582</u></b>	<b><u>\$ 2,797,582</u></b>
FTE Positions	48.0	39.5	39.5	39.5	39.5
Non-FTE Uncl. Perm. Pos.	<u>3.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
<b>TOTAL</b>	<b><u>51.0</u></b>	<b><u>40.5</u></b>	<b><u>40.5</u></b>	<b><u>40.5</u></b>	<b><u>40.5</u></b>

The **agency** requests FY 2017 operating expenditures of \$2,797,582, all from special revenue funds, for the Alcohol Beverage Control program for FY 2017. The revised estimate is an all funds decrease of \$913,280, or 24.6 percent, and a State General Fund decrease of \$3,457,831, or 100.0 percent, below the amount approved by the 2015 Legislature. The State General Fund decrease is attributable to correcting a one year anomaly during the 2014 Session in which the Governor recommended the program be funded from the State General Fund. The agency requests 39.5 FTE positions, and 1.0 non-FTE Unclassified Permanent position for a total of 40.5 positions, a decrease of 8.5 FTE positions and 2.0 non-FTE Unclassified Permanent positions below the amount approved by the 2015 Legislature. Major changes from the approved amount include the following items:

- **Salaries and Wages.** The agency requests \$2,472,167, all from special revenue funds, for salaries and wages for FY 2017. The request is an all funds decrease of \$693,201, or 21.9 percent, and a State General Fund decrease of \$2,985,365, or 100.0 percent above the amount approved by the 2015 Legislature. The decrease is attributable to the reclassification of the Office of Special Investigations to the Administration program within the Resource Management subprogram;
- **Contractual Services.** The agency requests \$248,273, all from special revenue funds, for contractual services for FY 2017. The request is an all funds decrease of \$126,414, or 33.7 percent, and a State General Fund decrease of \$317,786, or 100.0 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced expenditures on communications equipment and some of the associated expenses of the Office of Special Investigations being moved to the Administration program within the Resource Management subprogram;
- **Commodities.** The agency requests \$69,842, all from special revenue funds, for commodities for FY 2017. The request is an all funds decrease of \$87,715, or 55.7 percent, and a State General Fund decrease of \$141,430, or 100.0 percent, below the amount approved by the 2015 Legislature. The decrease is predominately attributable to reduced gasoline expenditures due to the agency using a lower gasoline price for their projections than when the budget was originally submitted a year ago; and
- **Capital Outlay.** The agency requests \$7,300, all from special revenue funds, for capital outlay for FY 2017. The request is decrease of \$5,950, or 44.9 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced expenditures on professional and scientific equipment.

The **Governor** concurs with the agency's revised estimate for the Alcohol Beverage Control program for FY 2017.

#### ***D. Tax Administration***

Tax Administration 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 Administration: the Revenue Accounting Unit, the Administrative Support Unit, the System Administrator and Testing Unit, and the Design and Development Unit. The units work together to administer the five sub-programs for which the Division is responsible. These 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.

<b>TAX ADMINISTRATION SUMMARY OF EXPENDITURES FY 2015 – FY 2017</b>					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 23,359,186	\$ 22,776,205	\$ 23,276,205	\$ 23,188,159	\$ 24,588,159
Contractual Services	1,900,906	2,355,803	2,355,803	2,118,043	2,118,043
Commodities	403,409	718,845	718,845	716,815	716,815
Capital Outlay	101,754	19,875	19,875	14,875	14,875
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 25,765,255</u>	<u>\$ 25,870,728</u>	<u>\$ 26,370,728</u>	<u>\$ 26,037,892</u>	<u>\$ 27,437,892</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	2,534,726	3,700,000	2,071,553	3,500,000	0
<b>TOTAL</b>	<b><u>\$ 28,299,981</u></b>	<b><u>\$ 29,570,728</u></b>	<b><u>\$ 28,442,281</u></b>	<b><u>\$ 29,537,892</u></b>	<b><u>\$ 27,437,892</u></b>
<b>Financing:</b>					
State General Fund	\$ 12,313,384	\$ 11,483,329	\$ 11,983,329	\$ 12,650,157	\$ 14,050,157
All Other Funds	15,986,597	18,087,399	16,458,952	16,887,735	13,387,735
<b>TOTAL</b>	<b><u>\$ 28,299,981</u></b>	<b><u>\$ 29,570,728</u></b>	<b><u>\$ 28,442,281</u></b>	<b><u>\$ 29,537,892</u></b>	<b><u>\$ 27,437,892</u></b>
FTE Positions	393.0	407.0	428.0	407.5	455.5
Non-FTE Uncl. Perm. Pos.	47.0	48.5	48.5	48.5	48.5
<b>TOTAL</b>	<b><u>440.0</u></b>	<b><u>455.5</u></b>	<b><u>476.5</u></b>	<b><u>456.0</u></b>	<b><u>504.0</u></b>

The **agency** requests FY 2017 operating expenditures of \$29,537,892, including \$12,650,157 from the State General Fund, for the Tax Administration program for FY 2017. The revised estimate is an all funds increase of \$3,971,748, or 15.5 percent, and a State General Fund increase of \$3,007,6851, or 31.2 percent, above the amount approved by the 2015 Legislature. The agency requests 407.5 FTE positions, and 48.5 non-FTE Unclassified

Permanent positions for a total of 456.0 positions, an increase of 14.5 FTE positions and 0.5 non-FTE Unclassified Permanent positions above the amount approved by the 2015 Legislature. The increase in total positions is attributable to filling positions and eliminating positions that have been held open due to budgetary constraints. Major changes from the approved amount include the following items:

- **Salaries and Wages.** The agency requests \$23,188,159, including \$12,139,603 from the State General Fund, for salaries and wages for FY 2017. The request is an all funds increase of \$3,947,464, or 20.5 percent, and a State General Fund increase of \$4,651,019, or 62.1 percent, above the amount approved by the 2015 Legislature. The increase is attributable to filling positions and eliminating salaries and wages shrinkage for positions that have been held open due to budgetary constraints;
- **Contractual Services.** The agency requests \$2,118,043, including \$300,759 from the State General Fund, for contractual services for FY 2017. The request is an all funds increase of \$98,265, or 4.9 percent, but a State General Fund decrease of \$1,098,958, or 78.5 percent, from the amount approved by the 2015 Legislature. The all funds increase is attributable to postage expenses, as expenditures previously classified within commodities have now been properly classified in the budget system; and
- **Commodities.** The agency requests \$716,815, including \$206,695 from the State General Fund, for commodities for FY 2017. The request is an all funds decrease of \$73,231, or 9.3 percent, and a State General Fund decrease of \$537,251, or 72.2 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to the majority of postage related expenditures being reclassified as contractual service expenditures.

The **Governor** concurs with the agency's revised estimate for the Tax Administration program for FY 2017 with two changes. The Governor recommends adding \$2.4 million, all from the State General Fund, and 48.00 FTE positions (21.00 FTE positions continued from FY 2016 and 27.00 new FTE positions hired for FY 2017) to enhance delinquent tax debt collections. The agency estimates the additional staff will bring in \$41.3 million worth of unpaid taxes in FY 2017, primarily from retail sales and individual income taxes. The Governor further recommends reduced expenditures by \$3.5 million from the Kansas Qualified Agricultural Ethyl Alcohol Producer Fund and transferring the \$3.5 million balance of this fund to the State General Fund for FY 2017. No new ethanol plants are expected to be operational in FY 2017.

### ***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 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 2015 – FY 2017**

Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 2,697,494	\$ 2,575,393	\$ 2,575,393	\$ 2,666,350	\$ 2,666,350
Contractual Services	1,025,392	1,191,780	1,191,780	1,192,187	1,192,187
Commodities	22,470	33,915	33,915	33,915	33,915
Capital Outlay	721	267,280	267,280	267,280	267,280
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 3,746,077</u>	<u>\$ 4,068,368</u>	<u>\$ 4,068,368</u>	<u>\$ 4,159,732</u>	<u>\$ 4,159,732</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
<b>TOTAL</b>	<b><u>\$ 3,746,077</u></b>	<b><u>\$ 4,068,368</u></b>	<b><u>\$ 4,068,368</u></b>	<b><u>\$ 4,159,732</u></b>	<b><u>\$ 4,159,732</u></b>
<b>Financing:</b>					
State General Fund	\$ 1,108,011	\$ 383,334	\$ 383,334	\$ 1,110,538	\$ 1,110,538
All Other Funds	2,638,066	3,685,034	3,685,034	3,049,194	3,049,194
<b>TOTAL</b>	<b><u>\$ 3,746,077</u></b>	<b><u>\$ 4,068,368</u></b>	<b><u>\$ 4,068,368</u></b>	<b><u>\$ 4,159,732</u></b>	<b><u>\$ 4,159,732</u></b>
FTE Positions	46.0	46.3	46.3	46.3	46.3
Non-FTE Uncl. Perm. Pos.	1.0	1.0	1.0	1.0	1.0
<b>TOTAL</b>	<b><u>47.0</u></b>	<b><u>47.3</u></b>	<b><u>47.3</u></b>	<b><u>47.3</u></b>	<b><u>47.3</u></b>

The **agency** requests FY 2017 operating expenditures of \$4,159,732 including \$1,110,538 from the State General Fund, for the Property Valuation program for FY 2017. The revised estimate is an all funds decrease of \$341,044, or 7.6 percent, and a State General Fund decrease of \$798,882, or 41.8 percent, below the amount approved by the 2015 Legislature. The agency requests 46.3 FTE positions, and 1.0 non-FTE Unclassified Permanent positions for a total of 47.3 positions, an increase of 0.3 FTE positions above the amount approved by the 2015 Legislature. Major changes from the approved amount include the following items:

- **Salaries and Wages.** The agency requests \$2,666,350, including \$1,069,371 from the State General Fund, for salaries and wages for FY 2017. The request is an all funds decrease of \$181,639, or 6.4 percent, and a State General Fund decrease of \$775,477, or 42.0 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced classified salaries and associated fringe benefits, partially offset by increased unclassified regular wages;
- **Contractual Services.** The agency requests \$1,192,187, including \$16,064 from the State General Fund, for contractual services for FY 2017. The request is an all funds decrease of \$99,405, or 7.7 percent, and a State General Fund decrease of \$14,593, or 47.6 percent, below the amount approved by the 2015 Legislature. The all funds increase is attributable to reduced travel expenditures as the agency moves to complete more work via electronic communications; and
- **Capital Outlay.** The agency requests \$267,280, all from special revenue funds, for capital outlay for FY 2017. The request is a decrease of \$40,000, or 13.0

percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced computer hardware expenses.

The **Governor** concurs with the agency's revised estimate for the Property Valuation Division program for FY 2017.

**F. Division of Motor Vehicles**

The Division of Motor 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 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.

<b>DIVISION OF MOTOR VEHICLES SUMMARY OF EXPENDITURES FY 2015 – FY 2017</b>					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 13,021,175	\$ 13,164,230	\$ 13,164,230	\$ 13,011,620	\$ 13,011,620
Contractual Services	7,117,490	9,400,586	9,400,586	9,195,277	8,633,277
Commodities	2,538,224	3,039,383	3,039,383	3,015,247	3,015,247
Capital Outlay	162,887	535,126	535,126	135,126	135,126
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<i>\$ 22,839,776</i>	<i>\$ 26,139,325</i>	<i>\$ 26,139,325</i>	<i>\$ 25,357,270</i>	<i>\$ 24,795,270</i>
Aid to Local Units	0	0	0	0	0
Other Assistance	1,342	0	0	0	0
<b>TOTAL</b>	<b><u>\$ 22,841,118</u></b>	<b><u>\$ 26,139,325</u></b>	<b><u>\$ 26,139,325</u></b>	<b><u>\$ 25,357,270</u></b>	<b><u>\$ 24,795,270</u></b>
<b>Financing:</b>					
State General Fund	\$ 33	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	22,841,085	26,139,325	26,139,325	25,357,270	24,795,270
<b>TOTAL</b>	<b><u>\$ 22,841,118</u></b>	<b><u>\$ 26,139,325</u></b>	<b><u>\$ 26,139,325</u></b>	<b><u>\$ 25,357,270</u></b>	<b><u>\$ 24,795,270</u></b>
FTE Positions	265.0	258.5	258.5	258.0	258.0
Non-FTE Uncl. Perm. Pos.	18.0	20.0	20.0	20.0	20.0
<b>TOTAL</b>	<b><u>283.0</u></b>	<b><u>278.5</u></b>	<b><u>278.5</u></b>	<b><u>278.0</u></b>	<b><u>278.0</u></b>

The **agency** requests FY 2017 operating expenditures of \$23,357,270 all from special revenue funds, for the Motor Vehicle program for FY 2017. The revised estimate is an all funds decrease of \$290,384, or 1.1 percent, and a State General Fund decrease of \$18,700, or 100.0 percent, below the amount approved by the 2015 Legislature. The agency requests 258.0 FTE positions, and 20.0 non-FTE Unclassified Permanent position for a total of 278.0 positions, a decrease of 7.0 FTE positions and an increase of 2.0 non-FTE Unclassified Permanent positions below the amount approved by the 2015 Legislature. The decrease in FTE positions is attributable to the privatization of the dealer title processing work. Major changes from the approved amount include the following items:

- **Salaries and Wages.** The agency requests \$13,011,620, all from special revenue funds, for salaries and wages for FY 2017. The request is a decrease of \$1,184,705, or 8.3 percent, below above the amount approved by the 2015 Legislature. The decrease is attributable to the privatization of the dealer title processing work, reducing classified wages and associated benefits;
- **Contractual Services.** The agency requests \$9,195,277, all from special revenue funds, for contractual services for FY 2017. The request is an increase of \$1,190,275, or 14.9 percent, above the amount approved by the 2015 Legislature. The increase is attributable to increased rent expenditures for drivers license locations and KANDRIVE software costs;
- **Commodities.** The agency requests \$3,015,247, all from special revenue funds, for commodities for FY 2017. The request is a decrease of \$332,654, or 9.9 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced inventory of vehicle license tags; and
- **Capital Outlay.** The agency requests \$135,126, all from special revenue funds, for capital outlay for FY 2017. The request is an increase of \$36,700, or 37.3 percent, above the amount approved by the 2015 Legislature. The decrease is attributable to a passenger vehicle replacement and software maintenance costs associated with the scanners located in each respective county.

The **Governor** concurs with the agency's revised estimate for Division of Motor Vehicles program for FY 2017 with the following change: reduce expenditures from the Division of Vehicles Operating Fund by \$562,000 and allow the Department to send out a postcard in lieu of a vehicle registration renewal notice letter and transfer these saving to the State General Fund.

<b>PERFORMANCE MEASURES</b>				
Measure	Gov. Rec. for FY 2015	Actual FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Percent of appeals resolved within 270 days of docketing	n/a	84.0%	80.0%	80.0%
Percent of Policy and Research correspondence requests completed within 30 days	n/a	84.0%	85.0%	85.0%
Percent of aid to local units of government payments distributed on schedule	100.0%	100.0%	100.0%	100.0%
Percent of face-to-face training sessions completed within 30 days of new liquor license issue date	n/a	94.0%	90.0%	90.0%
Compliance rate for controlled buys for the sale of cigarettes and tobacco products to minors	n/a	90.0%	90.0%	90.0%
Compliance rate for controlled buys for the sale of alcohol to underage persons	n/a	84.0%	85.0%	85.0%
Number of counties with qualified county appraisers	n/a	104	105	105
Percent of commercial valuations meeting statistical requirements	n/a	99.8%	95.0%	95.0%
Percent of counties achieving 100.0 percent procedural compliance	n/a	40.0%	40.0%	40.0%
Percent of mail and walk-in registration renewals processed by county treasurers	n/a	84.0%	85.0%	85.0%
Percent of online registration renewals received and processed by county treasurers	n/a	16.0%	15.0%	15.0%
Total number of registration renewals received and processed by county treasurers	n/a	2,813,811	2,700,000	2,700,000