

# KANSAS DEPARTMENT OF REVENUE

## FY 2021 – FY 2023 BUDGET ANALYSIS

FIGURE 1  
**BUDGET OVERVIEW, FY 2021 – FY 2023**

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
<b>Operating Expenditures:</b>					
State General Fund	\$ 15,248,295	\$ 14,800,068	\$ 15,087,599	\$ 14,800,558	\$ 15,326,422
Federal Funds	199,901	77,000	77,000	77,000	77,000
All Other Funds	93,718,586	92,684,317	92,684,317	91,997,731	93,188,441
<i>Subtotal</i>	<u>\$ 109,166,782</u>	<u>\$ 107,561,385</u>	<u>\$ 107,848,916</u>	<u>\$ 106,875,289</u>	<u>\$ 108,591,863</u>
<b>Capital Improvements:</b>					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL</b>	<u><b>\$ 109,166,782</b></u>	<u><b>\$ 107,561,385</b></u>	<u><b>\$ 107,848,916</b></u>	<u><b>\$ 106,875,289</b></u>	<u><b>\$ 108,591,863</b></u>
<b>Percentage Change:</b>					
State General Fund	(99.0) %	(2.9) %	(1.1) %	0.0 %	1.6 %
All Funds	(99.0) %	(1.5) %	(1.2) %	(0.6) %	0.7 %
FTE Positions	1,049.2	1,049.2	1,049.2	1,049.2	1,057.2

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

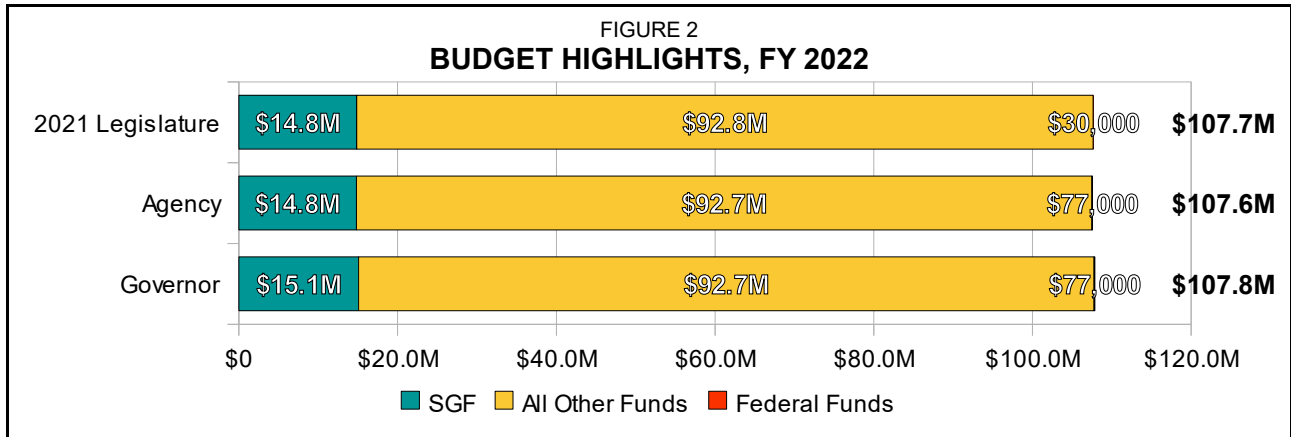
The Kansas Department of Revenue collects taxes and fees, administers Kansas tax laws, issues a variety of licenses, and provides assistance to Kansas citizens and units of government. The agency is divided into six major divisions, which reflect the four statutory programs the agency is charged with 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 Administration manages and enforces the major state taxes and conducts a program of audits to identify and substantiate under-reporting of Kansas taxes.
- Property Valuation appraises state property and exercises supervision over local appraisers.
- Motor Vehicles issues titles, registers vehicles, and licenses drivers.

### EXECUTIVE SUMMARY

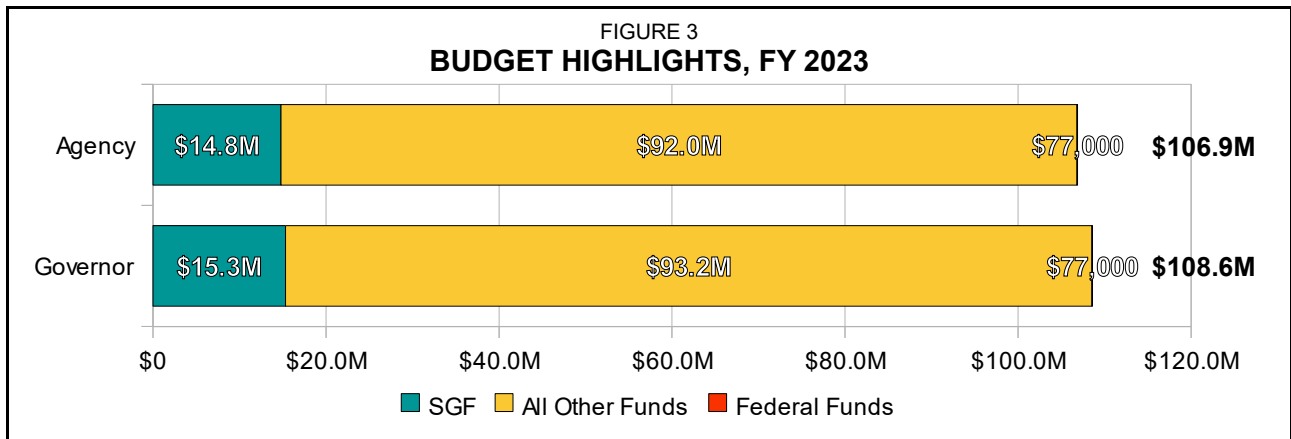
The 2021 Legislature approved a budget of \$107.5 million, including \$14.8 million from the State General Fund (SGF), for the Kansas Department of Revenue for FY 2022. An adjustment

has been made subsequently to that amount, which changes the current year approved amount without any legislative action required. The agency reappropriated \$26,354 SGF from FY 2021 into FY 2022.



The agency's revised estimate totals \$107.6 million, including \$14.8 million SGF, for FY 2022. The request is an all funds decrease of \$115,569, or 0.1 percent, including an SGF decrease of \$26,011, or 0.2 percent, below the FY 2022 approved budget. The agency added \$2.7 million in salaries and wages expenditures by reducing the shrinkage rate. The shrinkage rate reduction was partially offset by the deletion of funding associated with vacant positions. The agency also reduced the transfer for the Special County Mineral Production Tax Fund (\$968,450).

The **Governor** recommends \$107.8 million, including \$15.1 million SGF, for FY 2022. The recommendation is an increase of \$287,531, or 0.3 percent, all SGF, above the FY 2022 agency revised estimate. The increase is attributable to administrative expenditures related to the Governor's plan to eliminate the food sales tax.



The **agency** requests \$106.9 million, including \$14.8 million SGF, for FY 2023. The agency request is an all funds decrease of \$686,096, or 0.6 percent, including an SGF increase of \$490, or less than 0.1 percent, from the FY 2022 revised estimate. The agency reduced the transfer to the Special County Mineral Production Tax Fund (\$316,050), reduced information technology contracting services (\$220,000), and reduced the estimate for outside counsel (\$250,000).

The **Governor** recommends \$108.6 million, including \$15.3 million SGF, for FY 2023. The recommendation is an all funds increase of \$1.7 million, or 1.6 percent, and an SGF increase of \$525,864, or 3.4 percent, above the FY 2023 agency request. The increase is attributable to

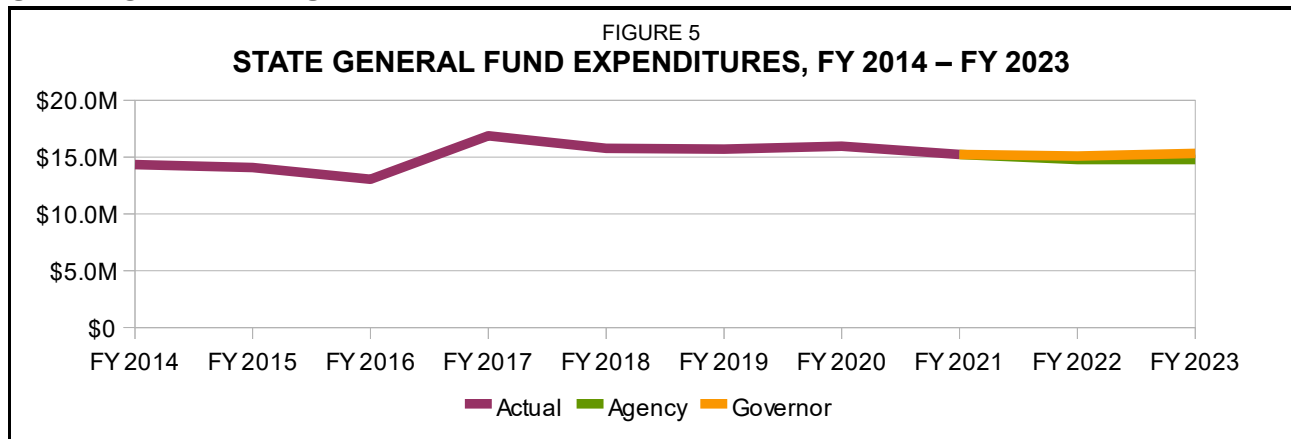
expenditures associated with 2021 SB 13 from the Taxpayer Notification Fund that were inadvertently omitted (\$1.2 million), and administrative expenses related to the Governor's plan to eliminate the food sales tax (\$525,864). Additionally, the recommendation includes a transfer of \$1.0 million from the SGF to the Division of Vehicles Modernization Fund and the elimination of the \$4 surcharge.

# EXPENDITURES AND FINANCING

FIGURE 4  
**BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2021 – FY 2023**

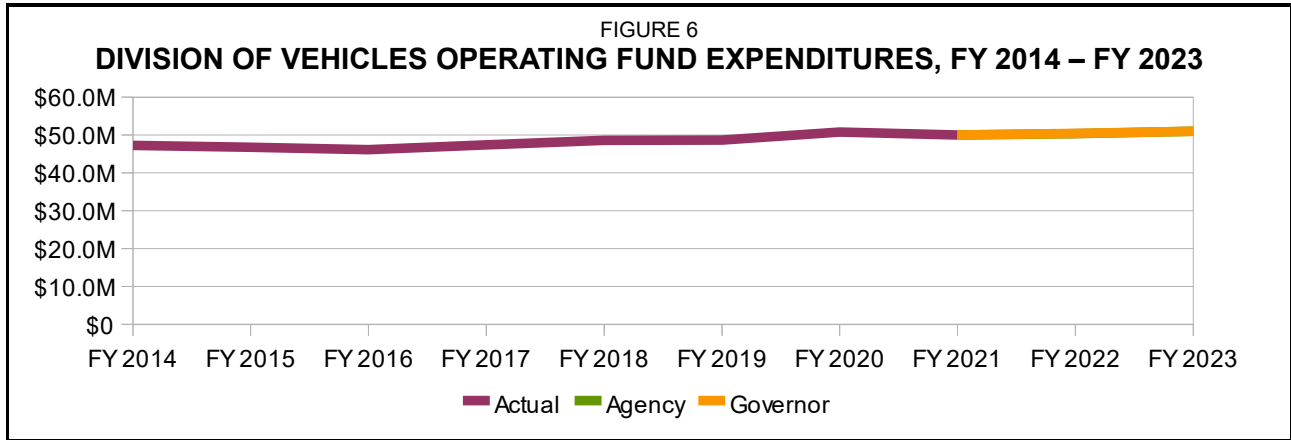
Category of Expenditure:	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Salaries and Wages	\$ 66,106,186	\$ 66,922,996	\$ 66,922,996	\$ 67,046,091	\$ 67,571,955
Contractual Services	34,214,936	32,799,047	33,086,578	32,372,395	32,372,395
Commodities	4,290,657	4,480,701	4,480,701	4,489,752	4,489,752
Capital Outlay	2,549,125	695,851	695,851	666,551	666,551
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<i>\$ 107,160,904</i>	<i>\$ 104,898,595</i>	<i>\$ 105,186,126</i>	<i>\$ 104,574,789</i>	<i>\$ 105,100,653</i>
Aid to Local Units	1,993,678	2,662,790	2,662,790	2,300,500	3,491,210
Other Assistance	12,200	-	-	-	-
<i>Subtotal—Operating</i>	<i>\$ 109,166,782</i>	<i>\$ 107,561,385</i>	<i>\$ 107,848,916</i>	<i>\$ 106,875,289</i>	<i>\$ 108,591,863</i>
Capital Improvements	-	-	-	-	-
Debt Service Principal	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 109,166,782</b>	<b>\$ 107,561,385</b>	<b>\$ 107,848,916</b>	<b>\$ 106,875,289</b>	<b>\$ 108,591,863</b>
<b>Financing:</b>					
State General Fund	\$ 15,248,295	\$ 14,800,068	\$ 15,087,599	\$ 14,800,558	\$ 15,326,422
Federal Funds	199,901	77,000	77,000	77,000	77,000
All Other Funds	93,718,586	92,684,317	92,684,317	91,997,731	93,188,441
<b>TOTAL</b>	<b>\$ 109,166,782</b>	<b>\$ 107,561,385</b>	<b>\$ 107,848,916</b>	<b>\$ 106,875,289</b>	<b>\$ 108,591,863</b>
FTE Positions	1,049.2	1,049.2	1,049.2	1,049.2	1,057.2

## STATE GENERAL FUND



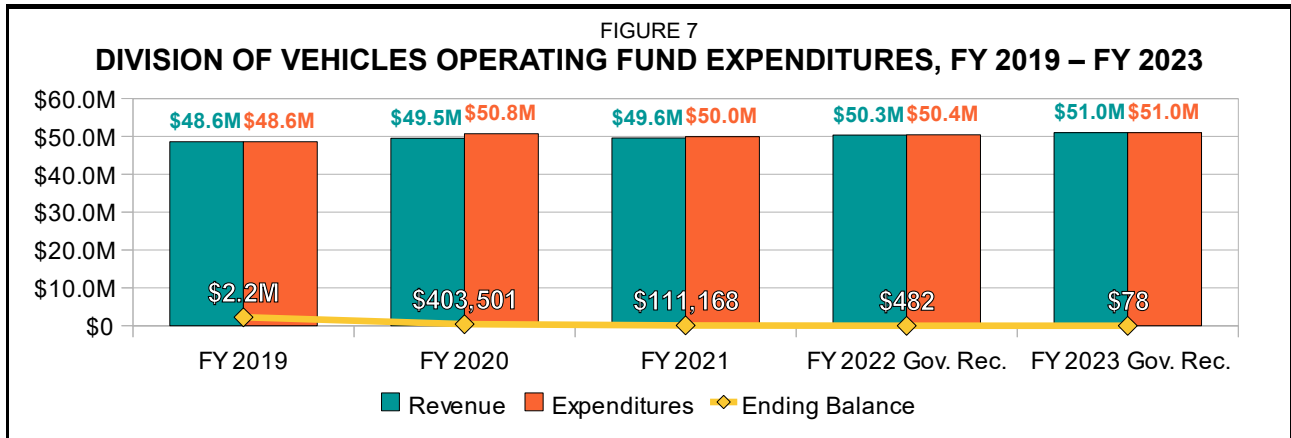
For the Kansas Department of Revenue, SGF expenditures have averaged \$15.1 million per fiscal year between FY 2014 and FY 2020.

**DIVISION OF VEHICLES OPERATING FUND**



On average, \$47.9 million was expended annually from the Division of Vehicles Operating Fund from FY 2014 through FY 2021.

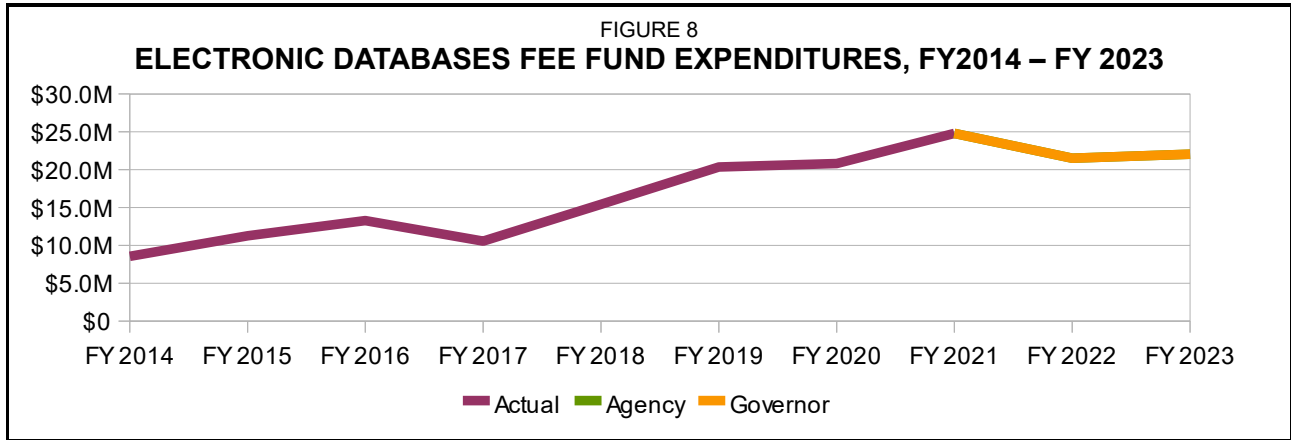
**DIVISION OF VEHICLES OPERATING FUND**



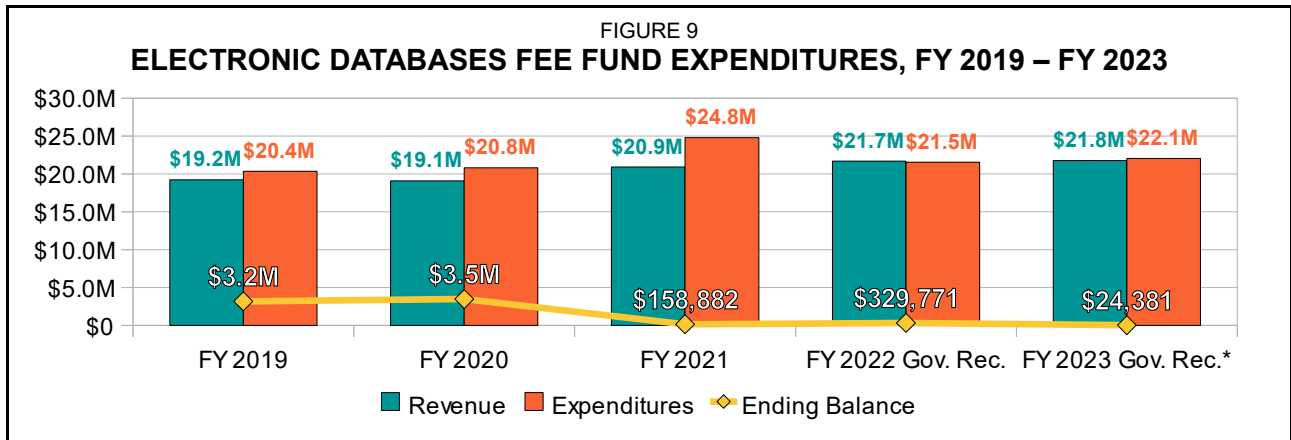
\* For FY 2023, the lowest month ending balance for the Division of Vehicles Operating Fund will occur in September, with a balance of \$0.

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 pursuant to the annual appropriation acts.

**ELECTRONIC DATABASES FEE FUND**



Expenditures from the Electronic Databases Fee Fund increased from \$8.6 million in FY 2014 to \$25.0 million in FY 2021.



\* For FY 2023, the lowest month ending balance for the Electronic Databases Fee Fund will occur in September, with a balance of \$0.

KSA 74-2022(a) authorizes the Secretary of Revenue to fix, charge, and collect fees to provide access to or furnish copies of data constituting public records in the vehicle information processing system, the Kansas Computer Assisted Mass Appraisal (CAMA) System, and other electronic database systems used by the agency. Fees are fixed in order to recover all or part of the costs incurred to operate, maintain, and improve such database systems. Fees may also be used to fund general operating and administrative costs for the agency. The driver’s license history record fees were increased in late FY 2018 to be more comparable with other states’ fees for identical services.

# FY 2022 ANALYSIS

FIGURE 10  
**SUMMARY OF BUDGET REQUEST, FY 2022**

	SGF	Special Revenue Funds	All Funds	FTE
<b>Legislative Approved:</b>				
Amount Approved by 2021 Legislature	\$ 14,799,725	\$ 92,850,875	\$ 107,650,600	1,049.2
1. SGF Reappropriation	26,354	-	26,354	--
<i>Subtotal—Legislative Approved</i>	<i>\$ 14,826,079</i>	<i>\$ 92,850,875</i>	<i>\$ 107,676,954</i>	<i>1,049.2</i>
<b>Agency Revised Estimate:</b>				
2. SGF Swap	(26,011)	-	(26,011)	--
3. Special County Mineral Production Tax Fund	-	(968,450)	(968,450)	--
4. Shrinkage Adjustments	-	2,650,252	2,650,252	--
5. Computer Programming	-	(1,886,997)	(1,886,997)	--
6. Building Space Rental	-	(387,400)	(387,400)	--
7. Motor Vehicles	-	(324,000)	(324,000)	--
8. Vehicle License Tag Resale	-	688,100	688,100	--
9. Passenger Cars	-	(253,351)	(253,351)	--
10. Channel Management Project	-	(287,999)	(287,999)	--
11. Travel	-	444,661	444,661	--
12. Other Adjustments	-	235,626	235,626	--
<i>Subtotal—Agency Revised Estimate</i>	<i>\$ 14,800,068</i>	<i>\$ 92,850,875</i>	<i>\$ 107,561,385</i>	<i>1,049.2</i>
<b>Governor’s Recommendation:</b>				
13. Food Sales Tax Administrative Costs	287,531	-	287,531	--
<b>TOTAL</b>	<b>\$ 15,087,599</b>	<b>\$ 92,850,875</b>	<b>\$ 107,848,916</b>	<b>1,049.2</b>

## LEGISLATIVE APPROVED

Subsequent to the 2021 Session, an adjustment was made to the \$14,799,725 SGF appropriated to the Kansas Department of Revenue for FY 2022. This adjustment changes the current year approved amount without any legislative action required. The agency reappropriated \$26,354 from FY 2021 into FY 2022.

1. **SGF REAPPROPRIATION.** The agency reappropriated \$26,354 from FY 2021 into FY 2022.

## AGENCY ESTIMATE

The agency requests \$107.6 million, including \$14.8 million SGF, for FY 2022. The request is an all funds decrease of \$115,569, or 0.1 percent, including an SGF decrease of \$26,011, or 0.2 percent, below the FY 2022 approved budget. Major adjustments include:

2. **SGF SWAP.** Deletes \$26,011, all SGF, as these expenditures were reimbursed through a transfer from COVID-19 pandemic relief funding.
3. **SPECIAL COUNTY MINERAL PRODUCTION TAX FUND.** Deletes \$968,450, all from the Special County Mineral Production Tax Fund. This adjustment reflects changes in the consensus estimates for oil and gas production.
4. **SHRINKAGE ADJUSTMENTS.** The agency reduced the shrinkage allocation by \$4.6 million. This reduction was partially offset by the deletion of funding associated with vacant positions in the agency's budget.

5. **COMPUTER PROGRAMMING.** The agency reduced the estimate for the Data Center as a Service item based on actual FY 2021 expenditures.
6. **BUILDING SPACE RENTAL.** The agency decreased the estimate for building space rental by \$387,400 due to channel management moving out of the Docking State Office Building.
7. **MOTOR VEHICLES.** The agency deleted \$324,000 to revise the estimate for the amount paid to the contractor, Idemia, to produce and mail driver's licenses and ID cards in FY 2022.
8. **VEHICLE LICENSE TAG RESALE.** The agency added \$688,100 for sales of vehicle license tags.
9. **PASSENGER CAR.** The agency deleted \$235,351 for passenger vehicles. No vehicle purchases are planned in FY 2022.
10. **CHANNEL MANAGEMENT PROJECT.** The agency deleted \$287,999, for lower than anticipated costs to relocate the transport portion of the channel management project in FY 2022.
11. **TRAVEL.** The agency added \$444,661 for travel costs in FY 2022 as travel resumes post pandemic.
12. **OTHER ADJUSTMENTS.** Add \$235,626, all from special revenue funds, for other adjustments in FY 2022.

### **GOVERNOR'S RECOMMENDATION**

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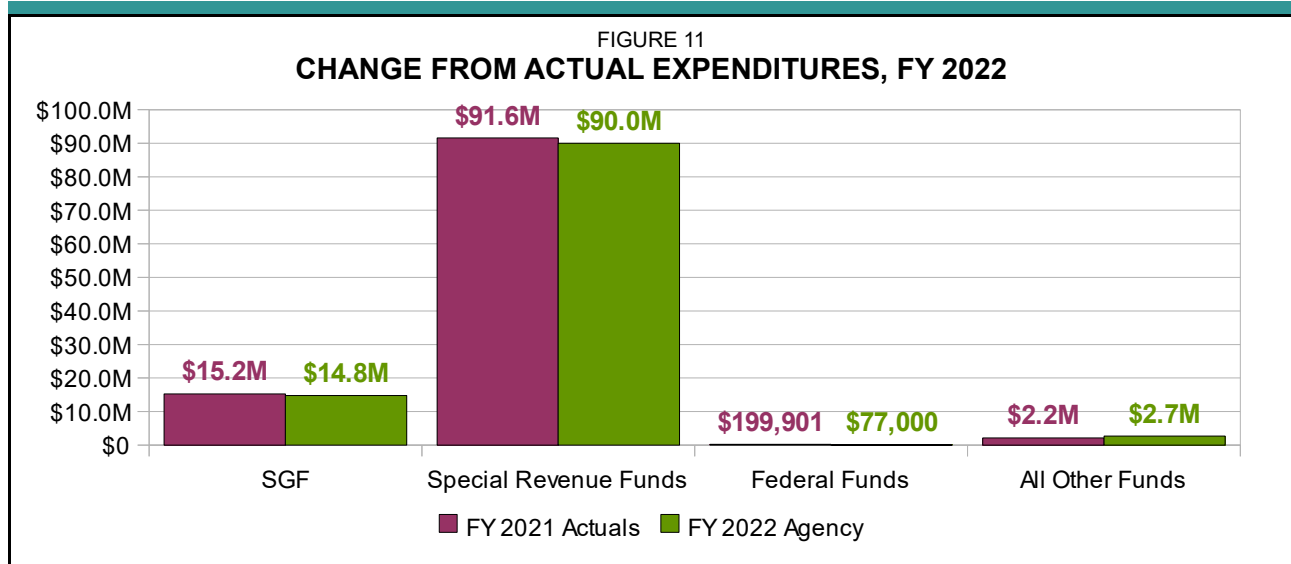
The **Governor** recommends \$107.8 million, including \$15.1 million SGF, for FY 2022. The recommendation is an increase of \$287,531, or 0.3 percent, all SGF, above the agency's FY 2022 revised estimate. The increase is attributable to administrative expenses related to the Governor's plan to eliminate the food sales tax.

The **Governor's** recommendation includes the following adjustments:

13. **FOOD SALES TAX ADMINISTRATIVE COSTS.** The Governor's recommendation adds \$287,531, all SGF, to the Tax Administration Program in FY 2022. The Department indicates that the additional funding would be used to modify its tax system to accommodate one rate for food and another rate for non-food items, quality assurance testing, and to revise sales tax forms and publications. The required programming would be performed by existing staff of the Department of Revenue; however, outside contract programmer services may be required to implement this plan by July 1, 2022.



## FY 2022 CHANGE FROM ACTUAL EXPENDITURES



The agency's FY 2022 revised estimate is \$1.6 million, including \$448,227 SGF, below the FY 2021 actual expenditures. The reductions are primarily in contractual services and capital outlay. The reductions in contractual services is in information technology (IT) consulting and tied to completion of the channel management upgrade. The commodities reduction is similarly tied to the channel management project and is due to reduced IT equipment expenditures.

The reductions are partially offset by an increase of \$816,810 in salaries and wages and \$669,112 for aid to local units of government. The salaries and wages increase is contained in the Tax Administration Program and is largely related to the shrinkage reduction.

# FY 2023 ANALYSIS

FIGURE 12  
SUMMARY OF BUDGET REQUEST, FY 2023

	SGF	Special Revenue Funds	All Funds	FTE
<b>Agency Revised Estimate, FY 2022</b>	\$ 14,800,068	\$ 92,850,875	\$ 107,561,385	1,049.2
<b>Agency Request:</b>				
1. Special County Mineral Production Tax Fund	\$ -	\$ (316,050)	\$ (316,050)	--
2. Contract Counsel - Tax	-	(250,000)	(250,000)	--
3. Staffing and Recruiting Services - IT	-	(150,000)	(150,000)	--
4. Information Systems Consulting - IT	-	(70,000)	(70,000)	--
5. All Other Adjustments	490	(100,516)	(100,026)	--
<i>Subtotal—Agency Request</i>	<u>\$ 14,800,558</u>	<u>\$ 91,964,309</u>	<u>\$ 106,675,309</u>	<u>1,049.2</u>
<b>Governor’s Recommendation:</b>				
6. Taxpayer Notification Fund	\$ -	\$ 1,190,710	\$ 1,190,710	--
7. Division of Vehicles Modernization Fund Transfer	-	-	-	--
8. Food Sales Tax Administrative Costs	525,864	-	525,864	8.0
<b>TOTAL</b>	<u><b>\$ 15,326,422</b></u>	<u><b>\$ 93,155,019</b></u>	<u><b>\$ 108,391,883</b></u>	<u><b>1,057.2</b></u>

## AGENCY REQUEST

The **agency** requests \$106.9 million, including \$14.8 million SGF, for FY 2023. The agency request is an all funds decrease of \$686,096, or 0.6 percent, including an SGF increase of \$490, or less than 0.1 percent, from the FY 2022 revised estimate.

The **agency** request includes the following adjustments:

- SPECIAL COUNTY MINERAL PRODUCTION TAX FUND.** The agency request deletes \$316,050, all from the Special County Mineral Production Tax Fund, to adjust the transfer amount for the consensus revenue estimates.
- CONTRACT COUNSEL—TAX.** The agency request deletes \$250,000, all from special revenue funds, for the estimate for contract counsel in anticipation of the resolution of the Bicknell litigation.
- STAFFING AND RECRUITING SERVICES—IT.** The agency request deletes \$150,000, all from special revenue funds, for expenditures on staff and recruiting services as the agency relies more heavily on state employees for information technology support.
- INFORMATION SYSTEMS CONSULTING—IT.** The agency request deletes \$70,000, all from special revenue funds, for expenditures on consulting for IT systems due to the anticipation of completing the channel management project.
- ALL OTHER ADJUSTMENTS.** Delete \$100,026 from all funds, including the addition of \$490 SGF for FY 2023.

## GOVERNOR’S RECOMMENDATION

The **Governor** recommends \$108.6 million, including \$15.3 million SGF, for FY 2023. The recommendation is an all funds increase of \$1.7 million, or 1.6 percent, and an SGF increase of \$525,864, or 3.4 percent, above the FY 2023 agency request. The increase is attributable to

expenditures associated with 2021 SB 13 from the Taxpayer Notification Fund that were inadvertently omitted from the agency's request (\$1.2 million), and administrative expenses related to the Governor's plan to eliminate the food sales tax (\$525,864). Additionally, the recommendation includes a transfer of \$1.0 million from the SGF to the Division of Vehicles Modernization Fund and the elimination of the \$4 surcharge. KSA 75-5160.

The **Governor's** recommendation includes the following adjustments:

6. **TAXPAYER NOTIFICATION FUND.** The Governor recommends adding \$1.2 million, all from the Taxpayer Notification Costs Fund, that were inadvertently omitted from the agency's request for FY 2023. The Taxpayer Notification Costs Fund would be used to reimburse printing and postage costs for counties to send out notices with the revenue neutral rate beginning in tax year 2022 or FY 2023. The Department estimates that the Taxpayer Notification Costs Fund would receive an SGF transfer of \$1,190,710 that would be used to reimburse counties. The revenue neutral rate requirements, including establishing the Taxpayer Notification Costs Fund and county reimbursement process, was included in 2021 SB 13.
7. **DIVISION OF VEHICLES MODERNIZATION FUND TRANSFER.** The Governor recommends eliminating the \$4 Division of Vehicles Modernization Fund Surcharge on July 1, 2022. To fund expenditures from the Division of Vehicles Modernization Fund, the Governor recommends transferring \$1.0 million to this fund from the SGF for FY 2023.
8. **FOOD SALES TAX ADMINISTRATIVE COSTS.** The Governor recommends adding \$525,864, all SGF, and 8.0 FTE positions for FY 2023 for administrative costs associated with the Governor's food sales tax plan. The Department indicates that the plan would require an additional 8.0 FTE positions to provide customer relations and business support and meet additional accounting and audit needs.

# SUPPLEMENTAL AND ENHANCEMENT REQUESTS

## REQUEST 1

### SUPPLEMENTALS AND ENHANCEMENTS

The Governor recommends one supplemental and two enhancements for the Department of Revenue budget. Over two years the adjustments total \$2.0 million, including \$813,395 SGF.

Short Descriptions	Supplementals and Enhancements			
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Taxpayer Notification Fund	\$ -	\$ -	\$ -	\$ 1,190,710
Food Sales Tax	287,531	287,531	525,864	525,864
<b>TOTAL</b>	<b>\$ 287,531</b>	<b>\$ 287,531</b>	<b>\$ 525,864</b>	<b>\$ 1,716,574</b>

1. **TAXPAYER NOTIFICATION FUND.** The Governor recommends adding \$1.2 million, all from the Taxpayer Notification Costs Fund, that were inadvertently omitted from the agency budget request for FY 2023. The Taxpayer Notification Costs Fund would be used to reimburse printing and postage costs for counties to send out notices with the revenue neutral rate beginning in tax year 2022 or FY 2023. The Department estimates that the Taxpayer Notification Costs Fund would receive an SGF transfer of \$1,190,710, which would be used to reimburse counties. The revenue neutral rate requirements, including establishing the Taxpayer Notification Costs Fund and county reimbursement process, was included in 2021 SB 13.

#### 2. FOOD SALES TAX ADMINISTRATIVE COSTS

- a. The Governor's recommendation adds \$287,531, all SGF, to the Tax Administration Program for FY 2022. The Department indicates that the additional funding would be used to modify the tax system to accommodate one rate for food and another rate for non-food items, quality assurance testing, and to revise sales tax forms and publications. The required programming would be performed by existing staff of the Department of Revenue; however, outside contract programmer services may be required to implement this plan by July 1, 2022.
- b. The Governor recommends adding \$525,864, all SGF, and 8.0 FTE positions for FY 2023 for the Governor's food sales tax plan. The Department indicates that the plan would require it to hire 8.0 FTE positions to provide customer relations and business support and meet additional accounting and audit needs.

**The Governor recommend adoption of both items. The requests were not included as part of the agency's budget request.**

## PROGRAM AND PERFORMANCE MEASURES OVERVIEW

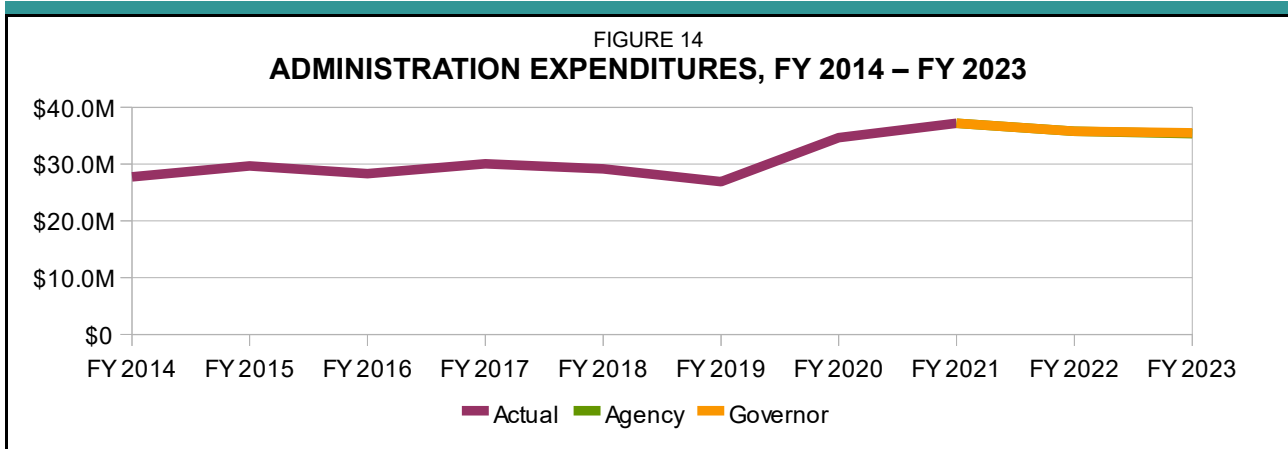
FIGURE 13  
**EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2021 – FY 2023**

Programs	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
<b>Expenditures:</b>					
Administration	\$ 37,216,917	\$ 35,764,291	\$ 35,764,291	\$ 35,377,601	\$ 35,520,872
Aid to Locals	1,993,678	2,662,790	2,662,790	2,300,500	3,491,210
Alcoholic Beverage Control	3,341,533	3,365,077	3,365,077	3,374,139	3,374,139
Motor Vehicles	34,070,507	34,178,157	34,178,157	34,224,878	34,224,878
Property Valuation	3,840,299	4,205,679	4,205,679	4,211,114	4,211,114
Tax Administration	28,703,848	27,385,391	27,672,922	27,387,057	27,769,650
<b>TOTAL</b>	<b>\$ 109,166,782</b>	<b>\$ 107,561,385</b>	<b>\$ 107,848,916</b>	<b>\$ 106,875,289</b>	<b>\$ 108,591,863</b>
<b>FTE Positions:</b>					
Administration	272.3	273.3	273.3	273.3	275.3
Aid to Local Units	-	-	-	-	-
Alcoholic Beverage Control	39.8	38.8	38.8	38.8	38.8
Motor Vehicles	349.0	352.2	352.2	352.2	352.2
Property Valuation	35.1	35.1	35.1	35.1	35.1
Tax Administration	353.0	349.8	349.8	349.8	355.8
<b>TOTAL</b>	<b>1,049.2</b>	<b>1,049.2</b>	<b>1,049.2</b>	<b>1,049.2</b>	<b>1,057.2</b>

### PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness.

# ADMINISTRATION



**STATUTORY BASIS:** • KSA 75-5101 and KSA 75-1527

**PROGRAM GOALS:**

- The Office of the Secretary of Revenue is responsible for ensuring the agency follows its mission.
- Represent the agency in litigation and provide legal advice to the Kansas Department of Revenue.
- Support the development of efficient tax laws and consistent policies.

The Administration Division is composed of the following areas:

- The **Office of the Secretary of Revenue** administers agency policies and procedures, media relations, and executive oversight of the agency’s major programs; assists the Governor’s Office and legislative staff with policy development and economic forecasting; coordinates media events; and generates press releases.
- The **Office of Financial Management** manages the agency’s fiscal systems and processes, including accounting, procurement, and budget functions; collects, reconciles, and distributes tax revenues daily to multiple funds at various state agencies; ensures compliance with state accounting statutes and regulations; and coordinates, directs, and accurately reports all agency financial transactions recorded in the state accounting system;
- The **Office of Personnel Services and Learning Center** provides human resource services, including payroll and benefits, employee relations, classification and compensation, personnel policy management, and

recruitment; provides training for agency software applications, leadership development, and new hire orientation; and manages curriculum to remain compliant with federal Internal Revenue Service and Social Security Administration training requirements.

- The **Facility Operations** program is responsible for the ordering, receiving, and inventory control of all supplies, commodities, and capital outlay purchased by the agency, and for building lease administration, facilities management, and general support for more than 40 office locations throughout the state.
- The **Legal Services and Special Investigations** program provides legal advice and analysis to the Secretary of Revenue and department officials regarding agency contracts and legislative matters; represents the agency in litigation; acts as the legal counsel for all administrative and court matters involving taxes, vehicle titles and registrations, driver’s licenses, and personnel matters; and oversees the Office of Special Investigations, which conducts criminal and administrative investigations and provides fraud-

related support to the Division of Vehicles and Division of Taxation. The Office of Special Investigations enforcement officers are certified law enforcement officers (KSA 75-5157).

- **Information Services** manages the overall planning, development, maintenance, computer processing, and support of the agency's information systems; works closely with the Office of Information Technology Services (OITS) for server and network operations, system enhancements and development, and statewide disaster recovery operations; and maintains the agency website and applications.

- The **Office of Research and Analysis** provides professional research, statistical and economic analysis, educational presentations and publications, and additional services to the Secretary of Revenue, the Kansas Legislature, the citizens of Kansas, and local governments to aid in the implementation of federal, state, and local law; tracks revenue from all sources and estimates future revenue based on policy changes and prior data; and analyzes legislative proposals and prepares fiscal notes affecting the agency.

FIGURE 15  
**ADMINISTRATION PROGRAM PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1. Percentage of fiscal notes completed within five working days	80.0%	80.0%	80.0%	80.0%	80.0%
2. Total number of fiscal notes completed	294	372	319	225	225
<b>Output Measure:</b>					
3. Administrative Tax Appeals Docketed*	250	279	295	450	N/A
<b>Financing</b>	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ 6,073,649	\$ 5,379,628		\$ 5,379,628	\$ 4,831,950
Federal Funds	-	140,519		-	-
All Other Funds	28,595,826	30,753,706		30,384,663	30,688,922
<b>TOTAL</b>	<b>\$ 34,669,475</b>	<b>\$ 36,273,853</b>		<b>\$ 35,764,291</b>	<b>\$ 35,520,872</b>
<b>Percentage Change:</b>					
SGF	91.5 %	(11.4) %		-- %	(10.2) %
All Funds	28.8 %	4.6 %		(1.4) %	(0.7) %
FTE Positions	282.3	272.3		273.3	275.3

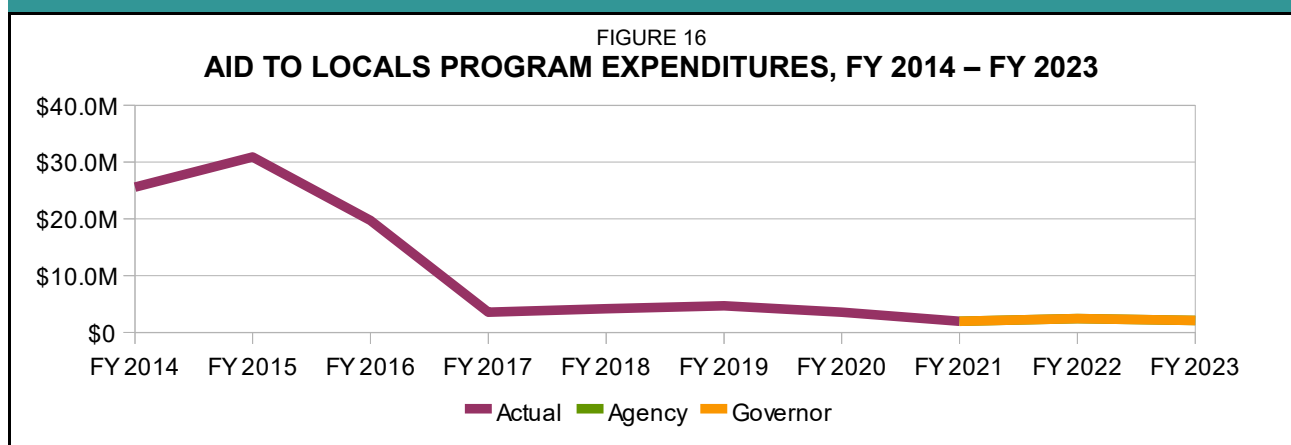
\* The Governor's Office does not utilize this measure for evaluation purposes.

## BUDGET ANALYSIS

The agency requests Administration program expenditures of \$35.4 million, including \$4.7 million SGF. The request is an all funds decrease of \$386,690, or 1.1 percent, including an SGF decrease of \$690,949, or 12.8 percent, below the FY 2022 revised estimate. The decreases are for contract counsel fees and IT consulting services.

The **Governor** recommends expenditures of \$35.5 million, including \$4.8 million SGF, an increase of 0.4 percent, above the FY 2023 agency request. The increase is attributable to the supplemental recommendation for the food sales tax changes.

## AID TO LOCALS PROGRAM



**STATUTORY BASIS:** • KSA 79-4227, KSA 79-5211, KSA 82a-309, KSA 8-2425

**PROGRAM GOALS:** • Be accountable for the distribution of aid payments to local governments.  
• Ensure that all aid payments are made on or before the scheduled distributions dates.

The Aid to Locals Program distributes full-privilege license plates to manufacturers revenue from certain state-collected taxes, and dealer license fees, mineral severance fees, and penalties to local units of government. Those distributions include sand royalties, taxes, and taxes on controlled substances.

FIGURE 17  
**AID TO LOCALS PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1. Percentage of aid payments distributed on schedule	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Financing</b>	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	3,557,420	1,993,678		2,662,790	3,491,210
<b>TOTAL</b>	<b>\$ 3,557,420</b>	<b>\$ 1,993,678</b>		<b>\$ 2,662,790</b>	<b>\$ 3,491,210</b>
<b>Percentage Change:</b>					
SGF	-- %	-- %		-- %	-- %
All Funds	(24.4) %	(44.0) %		33.6 %	31.1 %
FTE Positions	--	--		--	--

### BUDGET ANALYSIS

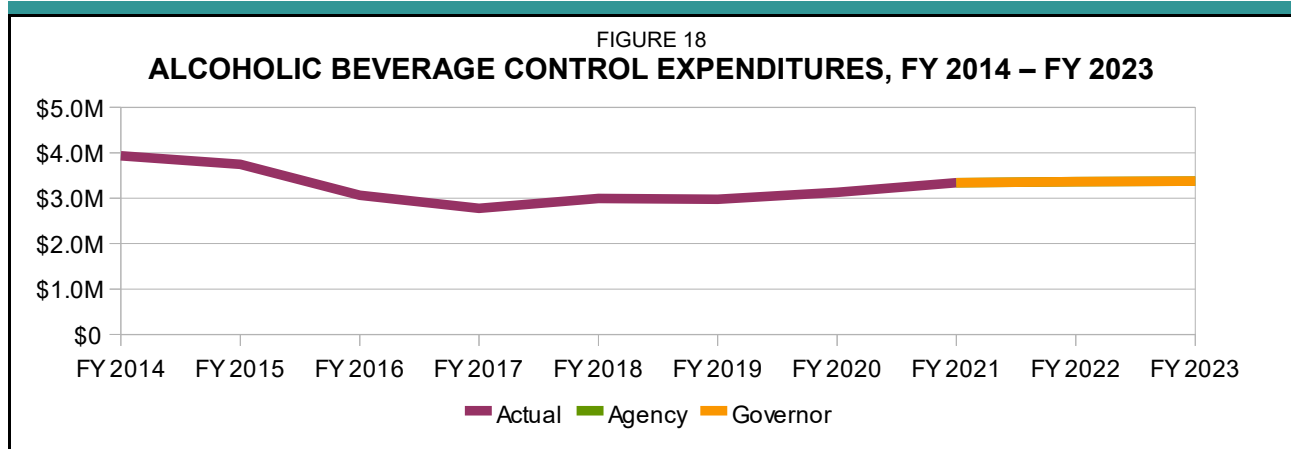
The agency requests Aid to Locals Program expenditures of \$2.3 million, all from special revenue funds, which is a decrease of \$362,290, or 13.6 percent, below the FY 2022 revised estimate. The decrease is attributable to revised estimates for the Special County

Mineral Production Tax Fund and the County Drug Tax Fund.

The **Governor** concurs with the agency request for the Aid to Locals program.



# ALCOHOLIC BEVERAGE CONTROL



**STATUTORY BASIS:** • KSA 75-5117, KSA 41-101, KSA 41-2601

**PROGRAM GOALS:**

- Regulate licensees in an efficient, capable, fair, and professional manner.
- Make it as easy as possible to voluntarily comply with liquor laws by providing educational training to licensees.
- Protect public safety by performing random controlled buys to increase compliance rate for the sale of alcohol to underage persons.
- Contribute to and protect the integrity of agency revenue streams by monitoring the filing and remittance of taxes on the sale of alcoholic beverages.

The Alcoholic Beverage Control (ABC) program regulates all phases of the manufacture, distribution, sale, and possession of alcohol in Kansas. This program encompasses many duties, including the following:

- Protecting the public health, safety, and welfare through effective regulation of the liquor industry;
- Ensuring businesses who import alcoholic liquor or cereal malt beverages meet statutory licensing requirements;
- Providing information to licensees on how to remain in compliance;
- Enforcing the Liquor Control Act and the Club and Drinking Establishment Act;
- Educating liquor licensees on current laws and regulations;
- Detecting and resolves licensee violations and providing support for licensee investigations;
- Providing training to local law enforcement agencies on underage drinking investigations, identifying fake IDs, and over-service violations; and
- Partnering with grassroots organizations interested in protecting the safety of youth in the context of alcohol products.

FIGURE 19  
**ALCOHOLIC BEVERAGE CONTROL PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1.Number of controlled buys performed	404	295	358	612	612
2.Compliance rate for the controlled buys for the sale of alcohol to underage persons	85.0%	84.0%	85.3%	85.0%	85.0%
3.ABC regulation cost per licensee*	\$ 481.04	\$ 516.92	\$ 514.47	\$ 561.64	N/A
<b>Output Measure:</b>					
4.Liquor Enforcement Tax violations*	20	24	28.7	25	N/A
5.Liquor Drink Tax violations*	105	119	144.3	115	N/A
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	46,483	12,047		47,000	47,000
All Other Funds	3,081,384	3,329,486		3,318,077	3,327,139
<b>TOTAL</b>	<u>\$ 3,127,867</u>	<u>\$ 3,341,533</u>		<u>\$ 3,365,077</u>	<u>\$ 3,374,139</u>
<b>Percentage Change:</b>					
SGF	-- %	-- %		-- %	-- %
All Funds	5.2 %	6.8 %		0.7 %	0.3 %
FTE Positions	39.8	39.8		38.8	38.8

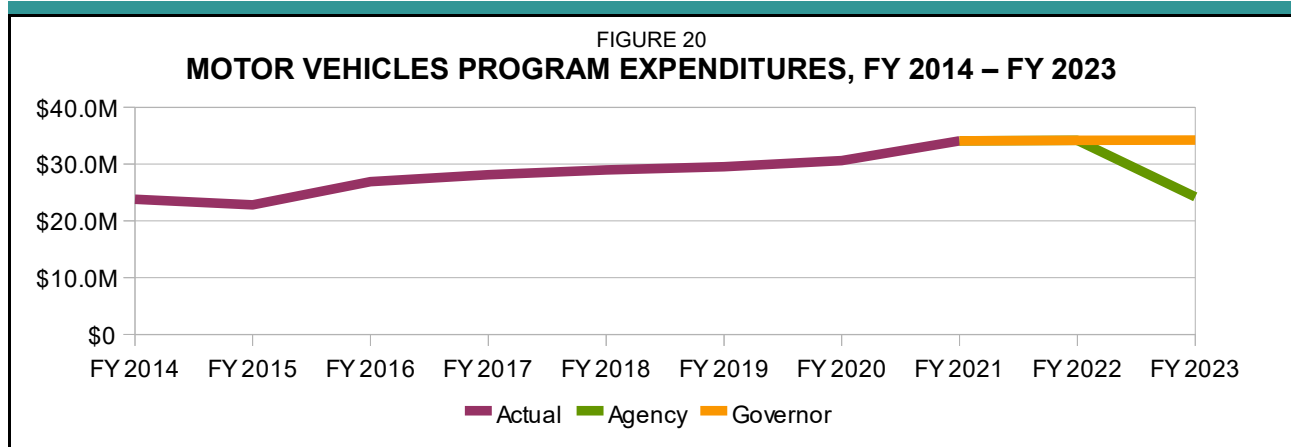
\* The Governor's Office does not utilize this measure for evaluation purposes.

### **BUDGET ANALYSIS**

The agency requests Alcoholic Beverage Control expenditures of \$3.4 million, all from special revenue funds, which is an increase of \$9,062, or 0.3 percent, above the FY 2022 revised estimate. The increase is attributable to salaries and wages fringe benefit costs.

The **Governor** concurs with the agency request for the Alcoholic Beverage Control program.

## MOTOR VEHICLES PROGRAM



**STATUTORY BASIS:** • KSA 75-5110

**PROGRAM GOALS:**

- Provide exceptional service to customers, business partners, and stakeholders. Ensure information is presented in a consistent, efficient manner. Monitor business needs closely and adjust staffing to maintain quality service levels.
- Identify methods and technologies to improve efficiency for both internal and external customers, including county partners, lenders, and dealers.
- Adjust staffing to match business needs to decrease wait times in the largest driver's license offices.

The Motor Vehicles Program administers Kansas law relating to vehicle titling and registration, motor vehicle dealer licensing, and the issuance, maintenance, and renewal of driver's licenses.

To carry out these duties, the Division of Vehicles is composed of three departments: Administration, Vehicle Services, and Driver Services.

The **Administration** department provides management and oversight of the Division, grants and contract management, and quality assurance for Division of Vehicles call centers.

The **Vehicle Services** department administers Kansas law relating to vehicle titling and registration of all motor vehicles, automobile dealers and salespersons, and registration of commercial motor vehicles; issues certificates of title, records/verification requests, disabled placards, and specialty and personalized license plates; provides support to all 105 county treasurers who act as agents of the State in processing vehicle titles and

registrations; maintains the Motor Vehicle System and administers the Kansas Web Tags application for online vehicle registration renewals; licenses and monitors approximately 2,500 new and used vehicle dealerships, 5,000 salespersons, and 300 manufacturers, distributors, converters, and manufactured home dealers for compliance with federal and state statutory requirements; processes lien and lien releases related to dealers and the public; processes vehicle registration for all commercial vehicles, issues oversized/overweight and other temporary permits required by law, and administers policies and procedures established by the International Registration Plan.

The **Driver Services** department conducts driver's license examinations required for the issuance and renewal of driver's licenses and includes the commercial driver's license program; issues identification documents according to federal and state guidelines; and processes maintenance of driving privileges and the suspension, revocation, and reinstatement of licenses for traffic-related violations and medical reasons.

FIGURE 21  
**MOTOR VEHICLES PROGRAM PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1. Percent of vehicle registration renewals processed online or through mobile applications	31.9%	34.5%	--	32.9%	32.9%
2. Average wait time at ten largest driver's license offices delinquent tax collections	10:30	9:15	--	8:30	8:30
3. Cost per registered vehicle*	\$ 3.61	\$ 4.24	\$ 4.01	\$ 4.18	N/A
4. Cost per active credential*	\$ 10.12	\$ 10.20	\$ 9.96	\$ 10.43	N/A
<b>Output Measure:</b>					
5. Total transactions at state driver's license offices	551,199	700,000	---	700,000	700,000
6. Number of licenses/ID cards processed*	551,199	700,000	685,774	700,000	N/A
7. Percentage of online/mobile app renewals processed at county treasurers*	31.81%	32.50%	29.04%	32.50%	N/A
<b>Financing</b>	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	30,600,018	34,070,507		34,178,157	34,224,878
<b>TOTAL</b>	<u>\$ 30,600,018</u>	<u>\$ 34,070,507</u>		<u>\$ 34,178,157</u>	<u>\$ 34,224,878</u>
<b>Percentage Change:</b>					
SGF	45.2 %	-- %		-- %	-- %
All Funds	4.7 %	11.3 %		0.3 %	0.1 %
FTE Positions	364.0	349.0		352.2	352.2

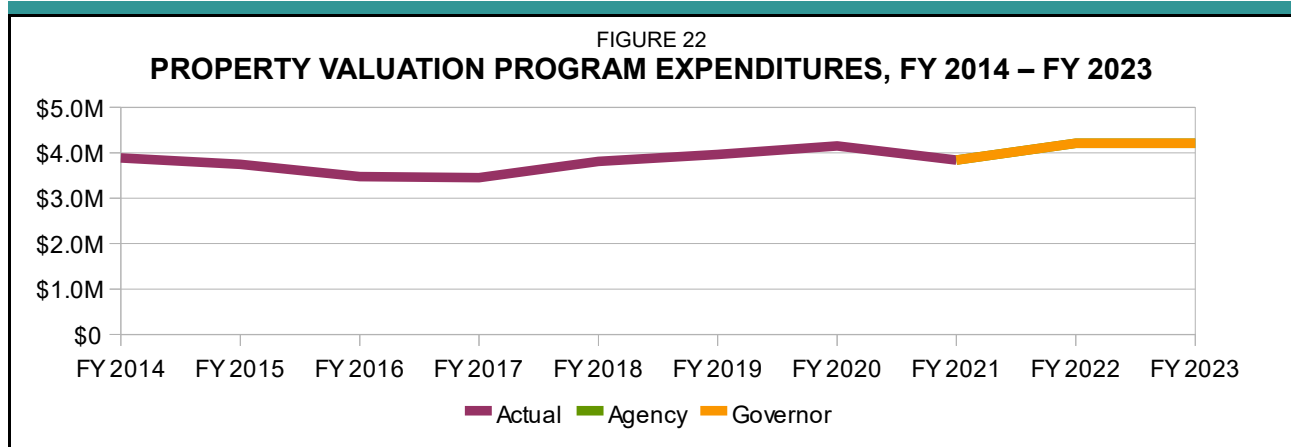
\* The Governor's Office does not utilize this measure for evaluation purposes.

**BUDGET ANALYSIS**

The agency requests Motor Vehicles Program expenditures of \$34.2 million, all from special revenue funds, which is an increase of \$46,721, or 0.1 percent, above the FY 2022 revised estimate. The increase is attributable to salaries and wages fringe benefit expenditures.

The **Governor** concurs with the agency request for the Motor Vehicles Program for FY 2023.

# PROPERTY VALUATION PROGRAM



- STATUTORY BASIS:** • KSA 79-1404
- PROGRAM GOALS:**
- Provide education for county appraisers and officials, taxpayers, and staff regarding the valuation of property and other tax-related issues. Ensure that uniform and accurate valuations and assessments occur.
  - Maintain the CAMA system and provide state and county personnel training on its use through training courses and workshops, in-depth procedural manuals, and user meetings to address and resolve system functionality issues.
  - Conduct an annual independent review of county appraisal procedures to ensure compliance with Kansas laws, rules and regulations, and related policies.

The Property Valuation Program 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 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 valuation guidelines used by the counties to assess oil and gas properties, as well as personal property.

The **County Assistance Bureau** provides technical assistance to the county appraisers and publishes data on overall uniformity and accuracy of appraisals.

FIGURE 23  
**PROPERTY VALUATION PROGRAM PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1. Percent of residential valuations meeting state appraisal statistical compliance standards*	99.0%	99.0%	99.0%	99.0%	99.0%
2. Percent of commercial valuations meeting state appraisal statistical compliance standards	95.0%	95.0%	95.0%	95.0%	95.0%
3. Tax dollars generated from distribution to counties based on assessed value (in millions)*	\$ 622.9	\$ 67.8	\$ 624.9	\$ 673.0	N/A
<b>Output Measure:</b>					
4. Number of counties with qualified county appraisers	105	98	102	105	N/A
<b>Financing</b>	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ 1,243,829	\$ 612,817		\$ 16,181	\$ 471,552
Federal Funds	-	-		-	-
All Other Funds	2,904,033	3,227,482		4,189,498	3,739,562
<b>TOTAL</b>	<u>\$ 4,147,862</u>	<u>\$ 3,840,299</u>		<u>\$ 4,205,679</u>	<u>\$ 4,211,114</u>
<b>Percentage Change:</b>					
SGF	45.2 %	(50.7) %		(97.4) %	2,814.2 %
All Funds	4.7 %	(7.4) %		9.5 %	0.1 %
FTE Positions	40.1	35.1		35.1	35.1

\* The Governor's Office does not utilize this measure for evaluation purposes.

## BUDGET ANALYSIS

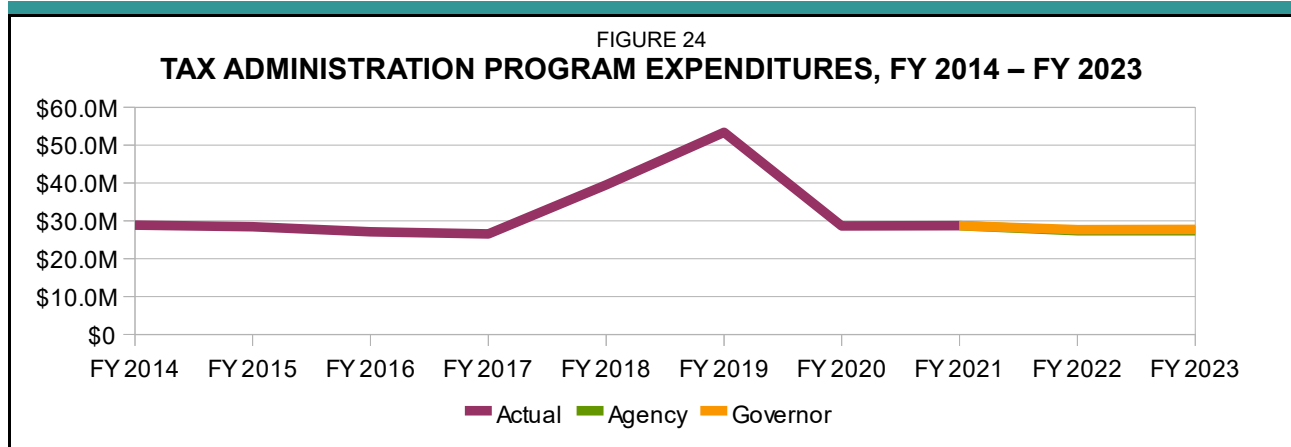
The agency requests Property Valuation Program expenditures of \$4.2 million, including \$471,552 SGF, for FY 2023. The request is an all funds increase of \$5,435, or 0.1 percent, including an SGF increase of \$455,371, or over 2,000 percent, above the FY 2022 revised estimate.

SGF increase is related to the exhaustion of the available balance in the Vehicle Information Processing System (VIPS)/CAMA fee fund for FY 2023.

The **Governor** concurs with the agency request for the Property Valuation program.

The all funds increase is attributable to salaries and wages fringe benefits costs. The

## TAX ADMINISTRATION PROGRAM



**STATUTORY BASIS:** • KSA 75-5102 through KSA 75-5104

- PROGRAM GOALS:**
- Administer and enforce tax laws with integrity, fairness, and civility.
  - Increase voluntary compliance with tax laws through educational opportunities and the application of strategic decision/risk management processes to support and effective discovery and collection programs.
  - Reduce accounts receivable and ensure prompt resolution by applying the latest best practices and latest technology in automation.
  - Enforce laws relating to the sale of cigarette and tobacco products.
  - Continually use new technologies and systems to reduce paper-based processing.

The Tax Administration Program has the largest operating budget for a division within the agency. The Division of Taxation Administration administers almost all state taxes, including individual and corporate income, retail sales and compensating use, mineral severance, motor fuel, cigarette, and alcoholic beverage excise taxes. The Division also administers the Homestead Property Tax and Food Sales Tax refunds. For local governments, the Division administers retail sales, compensating use, liquor excise, and transient guest taxes.

To carry out these duties, the Division of Taxation Administration is composed of the following departments:

- The **Tax Operations Administration** provides management and oversight to the entire Division and administers tax laws for the State of Kansas.
- The **Customer Relations** program provides effective account management to promote voluntary compliance with state laws through education and customer service; operates the Taxpayer

Assistance Center, which is responsible for processing and completing all business registrations/tax applications; and serves walk-in customers with tax questions.

- The **Cigarette and Tobacco Enforcement Team** protects minors through education and assistance to tobacco licensees; conducts statewide cigarette and tobacco enforcement activities aimed at reducing sales of cigarettes and tobacco products to minors; and ensures compliance with terms of the Master Settlement Agreement, federal Food and Drug Administration guidelines, and the Synar Amendment.
- The **Revenue Recovery Bureau** is responsible for helping Kansas taxpayers understand their tax obligations, collects all types of delinquent taxes; maintains agency-level accounts receivable reporting; and is the administrator of the statewide tax clearance program.

- **Field Services** assists, educates, and encourages customers to comply with Kansas tax laws and seeks resolution of tax debts that have not been resolved through the front-end collections process, and conducts field investigations and on-site visits, collects delinquent taxes and missing returns, and pursues civil tax enforcements.
- **Business Support Services** defines, implements, and supports the movement of information to and collects information and payments from

customers; and extracts information from web-based software, tax filing applications, reports for remitting payments and fees, and paper-to-digital conversion of all paper returns, documents, and payments received.

- **Audit Services** conducts audits to identify and substantiate the under-reporting of Kansas taxes and examines tax returns and supporting documentation through several processes.

FIGURE 25  
**TAX ADMINISTRATION PROGRAM PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1. Percentage of written correspondence resolved within 30 days *	87.0%	97.0%	94.0%	97.0%	N/A
2. Compliance rate for random controlled buys for the sale of cigarette/tobacco products to minors	95.0%	93.0%	94.0%	90.0%	90.0%
3. Delinquent tax collections (in millions)	\$ 162.8	\$ 206.9	\$ 187.8	\$ 210.0	\$ 210.0
4. Delinquent tax accounts receivable turnover ratio *	0.35	0.78	0.51	0.75	N/A
<b>Output Measure:</b>					
5. Individual income tax returns filed*	1,494,492	1,819,361	1,644,322	1,650,000	N/A
6. Sales and use tax returns filed*	733,352	802,944	751,257	760,000	N/A
7. Percentage of electronically filed individual income tax return refunds issued within 14 days of receipt*	94.0%	94.0%	94.7%	97.0%	N/A
8. Percent of individual income tax returns received electronically	95.0%	93.0%	--	90.0%	90.0%
<b>Financing</b>	<b>Actual FY 2020</b>	<b>Actual FY 2021</b>		<b>Governor FY 2022</b>	<b>Governor FY 2023</b>
SGF	\$ 8,641,695	\$ 9,691,790		\$ 9,691,790	\$ 10,022,920
Federal Funds	64,807	47,335		30,000	30,000
All Other Funds	19,959,515	20,343,727		17,951,132	17,716,730
<b>TOTAL</b>	<b>\$ 28,666,017</b>	<b>\$ 30,082,852</b>		<b>\$ 27,672,922</b>	<b>\$ 27,769,650</b>
<b>Percentage Change:</b>					
SGF	(52.0) %	12.2 %		-- %	3.4 %
All Funds	(46.3) %	4.9 %		(8.0) %	0.3 %
FTE Positions	363.1	353.0		349.8	355.8

\* The Governor's Office does not utilize this measure for evaluation purposes.

## BUDGET ANALYSIS



The agency requests Tax Administration Program expenditures of \$27.4 million, including \$9.6 million SGF, for FY 2023. The request is an all funds increase of \$1,666, or less than 0.1 percent, including an SGF increase of \$236,068, or 2.5 percent, above the FY 2022 revised estimate.

The all funds increase is attributable to salaries and wages fringe benefits costs and is partially offset by reductions in the purchase of office furniture.

The increase in SGF expenditures is related to the low balance in the enforcement activities recovery fund.

The **Governor** recommends expenditures of \$27.8 million, including \$10.0 million SGF, for FY 2023. The recommendation is an increase of \$382,593, or 1.4 percent, above the agency request. The increase is attributable to expenditures associated with eliminating the food sales tax. The Governor also recommends an increase of 6.0 FTE positions.