

DFA - REVENUE SERVICES DIVISION

Enabling Laws

Act 32 of 2003 of the 1st Extraordinary Session

Arkansas Code Annotated §2-8-101 et seq., 2-20-101 et seq., 2-35-101 et seq., 2-40-101 et seq., 3-4-201 et seq., 3-5-101 et seq., 3-7-101 et seq., 3-9-101 et seq., 8-7-901, 8-7-908, 8-9-402 et seq., 14-164-101, 15-4-1001 et seq., 15-4-1201 et seq., 15-4-1508, 15-4-1602, 15-4-1701 et seq., 15-4-1901 et seq., 15-5-1301 et seq., 17-21-101 et seq., 26-5-101 et seq., 26-17-203, 26-18-101 et seq., 26-19-101 et seq., 26-36-301 et seq., 26-51-101 et seq., 26-52-101 et seq., 26-53-101 et seq., 26-55-101 et seq., 26-56-101 et seq., 26-57-201 et seq., 26-57-901 et seq., 26-58-101 et seq., 26-59-101 et seq., 26-60-101 et seq., 26-62-101 et seq., 26-74-101 et seq., 26-75-101 et seq., Act 134 of 1911, Act 142 of 1949, Act 555 of 1965, Ark Code Ann. §27-14-101, et seq., §27-15-101, et seq., §26-52-301, et seq., and §26-53-126, Arkansas Code, 27-16-101 et. seq., 27-19-101 et. seq., 27-20-101 et. seq., 27-23-101 et. seq., 27-50-801 et. seq., 27-50-901 et. seq.

History and Organization

Act 88 of 1925 that created the Office of Insurance and Revenues first established the Revenue Division. Act 115 of 1927 separated the powers of the Insurance Commissioner and changed the title to Commissioner of Revenues. Act 38 of 1971 transferred the Department of Revenues to the Department of Finance and Administration. The Revenue Division is responsible for administration and enforcement of State taxing laws, vehicle and driver licenses imposed under Arkansas law. In order to properly administer the varied tax laws, license laws and other functions of Revenue Division operations, it has been necessary to create various offices and sections within the Division. The Revenue Division now consists of nine major Offices:

1) Office of the Assistant Commissioner for Policy and Legal

This office consists of three sections: one for the Assistant Commissioner, another for Hearings and Appeals and lastly Taxpayer Assistance. The Office of Assistant Commissioner for Policy and Legal was created in 1995. This office is responsible for policy and legal matters for the Revenue Division. The Hearings and Appeals Section was created by Act 401 of 1979 and is responsible for reviewing all written protests submitted by taxpayers and making findings on proposed assessments. The Taxpayer Assistance Office was created in 1993 and assists taxpayers in resolving problems with the various offices in the Revenue Division.

2) Office of Income Tax

The Office of Income Tax consists of four sections: Administration, Individual Income Tax, Corporate Income Tax and Income Tax Systems. Individual Income Tax administers tax laws as they apply to individuals, fiduciaries, partnerships and estates. Corporate Income Tax administers tax laws applying to corporations doing business in the State. Income Tax Systems processes income tax returns and provides income tax data entry.

3) *Office of Field Audit*

Act 235 of 1935 gave the Revenue Commissioner the duty of employing Field Auditors and Collectors. The Office is organized into nine sections; Administration, five Audit Districts covering the State, Audit Coordination, Collections and Nexus. The Audit Districts are responsible for performing audits and collection of delinquent taxes in their district. Audit Coordination organizes requests for information and audits between the various tax sections and the Audit Districts. The Collections Section collects delinquent and deficient taxes as well as insufficient fund checks.

4) *Office of Motor Vehicle*

This Office was first authorized to issue licenses by Act 134 of 1911. Act 142 of 1949 required motor vehicle titles. The Office of Motor Vehicle administers licensing, registration and titling of all vehicles subject to registration. The Office consists of five sections; Administration, Systems Support, Direct Services, International Registration Plan and Registration and Title. The Systems Support section provides customer service for motor vehicle automated systems. The International Registration Plan section registers and licenses all Arkansas trucks under the International Registration Plan. The Direct Services section files all direct liens and provides information on motor vehicles to the general public and to law enforcement on a 24 hour basis. The Registration and Title section provides data entry for titles, renewals and registrations, maintains control records for licenses and fees issued and examines applications for title for completeness and proper documentation. It microfilms all documents submitted with applications for title.

5) *Office of Excise Tax Administration*

This Office administers tax laws of the State. The Office consists of five sections; Administration, Sales Tax, Motor Fuel Tax, Miscellaneous Tax and Tax Credits. Sales Tax administers taxes on sales, use, mixed drink and beverage excise for State and Local governments. Motor Fuel administers taxes on motor fuel. Miscellaneous Tax administers various tax laws such as cigarette, real estate transfer, amusement, vending and severance. Tax Credits administers the various tax credit programs.

6) *Office of Driver Services*

Act 555 of 1965 established the Driver Licensing Bureau. Act 311 of 1977 created the color photo driver license program. This Office consists of six sections; Administration, Issuance, Technical Services, Safety Responsibility, Driver Control and Commercial Driver License. The Issuance section is responsible for procedures for issuance of licenses to qualified individuals and for maintaining driver license records. The Technical Services section is responsible for data entry, Traffic Violation Reports and Revenue Micrographics. The Safety Responsibility section administers the financial responsibility laws. Driver Control monitors problem drivers statewide. The Commercial Driver License section administers that program.

7) *Office of Assistant Commissioner for Operations and Administration*

This Office consists of three sections; Office of the Assistant Commissioner, Cashier and General Services. The Cashier section prepares deposits of all monies for deposit with the State Treasurer. The General Services section is responsible for audits all State Revenue Offices, reconciles bank accounts and processes revenues collected by State Revenue Offices, building

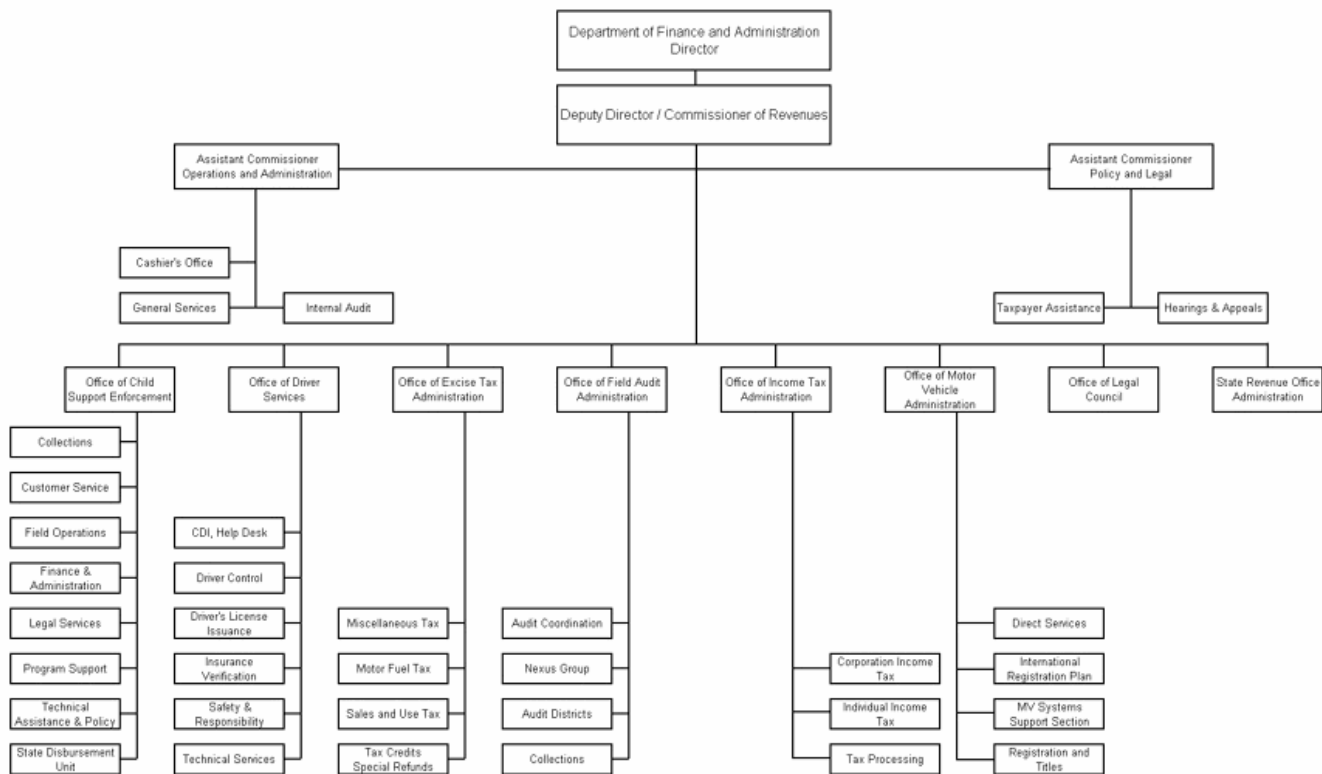
maintenance and security, central supply, processing all revenues paid by mail and all incoming and outgoing mail.

8) *Office of Revenue Legal Counsel*

This Office provides legal counsel for the Revenue Division and the operating offices of the Revenue Division. It represents the Division in litigation involving taxes, fees, licenses and programs administered by the Division.

9) *Office of State Revenue Office Administration*

This office was created to meet the requirements of Act 465 of 1967 that allows individuals to apply in person in their County of residence for automobile registration and renewal. The Office consists of six sections; Administration and five districts dividing the State.



Agency Commentary

The Revenue Division is requesting 45 additional positions. These positions are critical to the operation and will either produce additional revenues, avoid a reduction in the current level of revenues or provide equity among existing employees. The addition of 10 Tax Auditor II positions to Field Audit will generate an additional \$1,400,000 per year when they are fully trained; adding 6 Taxpayer Service Representatives to Field Audit will free 10% of 3-5 auditors time per position and result in \$51,000 to \$164,000 per year in additional revenue per position per year or \$306,000 to \$984,000 annually for the six positions. Total cost of these positions in Field Audit is \$559,962 year 1 and \$574,908 year 2 plus support. Adding 6 Taxpayer Service Representatives in Income Tax will free existing auditors time to perform additional audits and result in additional revenues of

\$1,200,000 per year. Total cost is \$181,645 year 1 and \$186,397 year 2 plus support. 1 Tax Auditor Supervisor and 1 additional Tax Auditor II have been requested by Motor Vehicle. These positions will be used to audit International Registration Plan accounts. The International Registration Plan licenses interstate trucks and the plan requires each state to audit a minimum percentage of their accounts each year. The addition of trucks returning to register in Arkansas results will not allow the minimum number of audits to be performed by the current audit staff of two auditors and provide for proper supervision of the audit staff. If Arkansas fails to meet the minimum audit requirement, other states may withhold payment to our state until we return to plan compliance. Total cost for the Motor Vehicle positions is \$77,912 year 1 and \$80,018 year 2 plus support. State Revenue Offices requests 4 additional Cashier II positions. These positions will allow 4 extra help employees who worked over two years to move into permanent positions and be eligible for benefits. Total cost is \$97,870 year 1 and \$100,729 year 2 plus support.

Act 46 of 2003, 2nd Extraordinary Session, business closure and Act 107 of 2003, 2nd Extraordinary Session, expanded sales tax base requires 17 additional positions. Sales Tax needs 12 additional Field Tax Investigator III positions, 3 Accountant II positions and 2 Taxpayer Service Representative positions. Sales Tax currently has 20 Investigators. Each investigator calls on an average of 100 taxpayers each month and collects an average of \$50,000 monthly. The new business closure law will reduce this level of collections without additional resources. This will occur because the existing investigators will be the field staff involved in the actual closing of a business for non-payment of taxes. Sales Tax has 4,000 accounts that may be subject to business closure. Once the initial rush of business closure activity is over, the 12 new investigators will collect \$500,000 per month or \$6,000,000 per year in additional revenue. The business closure activity will generate the need for staff to evaluate financial documents for requested payment plans, process payment plans, and process payments. Total cost for these Sales Tax positions is \$405,439 year 1 and \$416,216 year 2 plus support.

Position reclassifications are requested where supervisors are the same grade as the employees they supervise or where an employee is a lower grade than others in the work unit performing the same job. A total of 53 positions are requested for reclassification. An upgrade of the Revenue Assistant District Manager class is requested from grade 18 to grade 19. These State Revenue Office positions often are called to supervise grade 18 Revenue Agent IV employees. This class contains 5 employees. Various CLIP reclassifications are requested to provide career ladders for employees. The cost of the reclassification requests is \$102,695 year 1 and \$105,707 year 2. The cost of the requested upgrades is \$13,189 year 1 and \$13,581 year 2. The cost of requested CLIP reclassifications is \$133,118 year 1 and \$136,895 year 2.

The Revenue Division requests \$1,469,257 year 1 and \$1,548,962 year 2 for cost increases and to support 33 additional positions requested in change level 01. The request is for \$869,127 year 1 and \$1,139,262 year 2 in increased Maintenance and Operations, \$562,130 year 1 and \$329,700 year 2 in Capital Outlay, and \$65,000 year 1 and \$80,000 year 2 in Professional Fees. The Maintenance and Operations request is to provide for cost increases in postage, printing, rent, utilities and travel. The U. S. Postal Service is expected to file for a postage rate increase of up to 10% to be effective January 1, 2006. The Capital Outlay request is for replacement of automobiles, two telephone systems and a high volume paper shredder. We anticipate replacing 26 automobiles year 1 and 22 automobiles year 2 at a cost of \$365,470 and \$305,750. Replacement of two telephone systems will

cost \$10,250, year 1 and \$6,500, year 2. Replacement of the high volume paper shredder will be \$50,000. The Professional Fee request is for our collections section to pay filing fees to county clerks and for legal cost.

Support for additional positions requested in change level 02 is requested in the amount of \$207,700 year 1 and \$27,700 year 2. This request detail is Maintenance and Operations of \$27,700 each year for travel, supplies and other expenses of new positions. Capital Outlay of \$180,000 year 1 is requested to purchase 24 automobiles for new auditors and investigators.

The department CIO office was established last legislative session. We request transfer of 5 positions from Revenue to the CIO office and 1 position from the CIO office to Revenue. This will align positions in the proper offices.

We request to discontinue two appropriations. Appropriation 238, Property Tax Relief, is no longer needed since the program no longer exists. Appropriation A54, ABC Permits, is a cash fund appropriation that is no longer needed.

Technology requests total \$384,500 year 1 and \$122,500 year 2. This request is to equip 45 new positions, \$111,000 year 1 and \$12,500 year 2; increasing license costs for research subscription services used by the Office of Legal Services, \$10,000 year 1 and \$12,000 year 2; increased cost of imaging sales tax returns due to the expansion of the taxable services, \$90,000 each year; expansion of the in-house imaging system \$166,500 in year 1; addition of a color laser printer to prepare trial exhibits in legal and additional software \$8,000 year 1. Purchase of additional printers and computers with software is requested in Legal in year 2 for \$8,000.

The National Streamline Sales Tax Project is intended to simplify and standardize sales and use tax laws and administration among the participating states. The states believe this will increase voluntary payments by out of state vendors who do not have traditional nexus with our state Arkansas has enacted legislation that allows our state to meet the requirements of this project. One of the requirements of the agreement is for each state to provide a database that will allow a consumer or vendor to enter a street address over the Internet and learn all of the state and local sales tax rates that apply to that location. Vendors must also be able to download the entire database for use with their point of sale systems. We anticipate purchase of this database will cost \$590,000 and annual maintenance will be \$90,000. We are asking for a contingency appropriation and funding to allow us to make this purchase if the agreement becomes effective.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT

AUDIT OF :

REVENUE DIVISION – OFFICE OF FINANCIAL AND MANAGEMENT SERVICES – CASHIER SECTION

FOR THE YEAR ENDED JUNE 30, 2003

Findings

The Agency reported one (1) instance of unaccounted for funds totaling \$3,384. An employee working in a local revenue office was responsible for automobile registration, title, taxes, fees, and sales taxes not deposited to Agency accounts or the State Treasury. The responsible employee was subsequently

Recommendations

Pursue prosecution of responsible persons and collection of unaccounted for funds.

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
REVENUE DIVISION – OFFICE OF FINANCIAL AND MANAGEMENT SERVICES – CASHIER SECTION
FOR THE YEAR ENDED JUNE 30, 2003

Findings

terminated from employment and the incident was reported to the police. The details of this instance of unaccounted for funds are summarized at Schedule 4.

In December 1997, the Agency implemented an automated record keeping system at State revenue offices. The Agency uses the Revenue Office Automation (ROA) system to maintain record of motor vehicle licensing and registration, transfer tax receipts from the local revenue office bank accounts to the Cashier Section by means of system-generated bank drafts and for other administrative purposes. As reported in the past four years, the ROA system does not have the capability to adjust the local revenue office bank account balances for returned checks. Consequently, manual procedures are employed to maintain adequate amounts on deposit in the local revenue office bank accounts to cover any returned checks and avoid overdrawn bank accounts. These manual procedures are complex, requiring coordination of several persons and offices. Failure of any one person to perform his duties accurately and timely results in the following:

- Delays in depositing revenue to the State treasury,
- Delays in collecting the returned checks,
- Uninsured and uncollateralized balances in the local bank accounts (\$594,742 at year-end) and
- Possible inaccurate financial reporting.

During the year ended June 30, 2003, returned checks at State revenue offices totaled \$1,461,804.

Additionally, the Division of Legislative Audit, Information System Section conducted an evaluation of the system controls over the ROA system. Deficiencies in the general and application controls of the system are summarized below:

- Inadequate user access security. Employees can engage in transactions and can access sensitive information not necessary to perform their duties.
- Inadequate record of changes in transaction data. "Help desk" employees have the capability to change transaction data and controls are not adequate to ensure that changes made are properly recorded.
- Inadequate passwords and logon controls.
 1. Passwords are not required to be a minimum length.
 2. Alphanumeric or special characters are not required in the password.
 3. Passwords are not required to be changed after initial logon.
 4. Passwords are not required to be changed at specific intervals.
 5. Users are not locked out of the system after a number of invalid logon attempts.
 6. Users are not automatically logged out after a period of inactivity on the system.
- Uncertainty concerning backup and restoration

Recommendations

Management should enhance the ROA system's capabilities to include an efficient method for processing returned checks, and collateralize all uninsured bank deposits. Further, the general and application control deficiencies should be addressed in order to improve the security of the ROA system.

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 REVENUE DIVISION – OFFICE OF FINANCIAL AND MANAGEMENT SERVICES – CASHIER SECTION
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
<p>procedures. Restoration from backup tapes has never been tested or performed.</p> <ul style="list-style-type: none"> ▪ Inadequate security role maintenance. Employee security access is not being updated in a timely manner. 	

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 REVENUE DIVISION – OFFICE OF FIELD AUDIT – COLLECTION SECTION
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 REVENUE DIVISION – CORPORATION INCOME TAX SECTION
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 REVENUE DIVISION – OFFICE OF DRIVER SERVICES
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 REVENUE DIVISION – INDIVIDUAL INCOME TAX SECTION
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
<p>The Division of Legislative Audit Information System Section conducted a review of system controls over tax returns processed at Image Entry. Image Entry is an outsourced entity that provides data processing, including document indexing and imaging, of both income and sales tax returns for the State of Arkansas. The following internal control weaknesses were noted during the review:</p> <ul style="list-style-type: none"> • Update access to data entry files not properly controlled. Employees can access sensitive data files not necessary to perform their job duties. 	<p>Ensure internal controls are strengthened regarding Image Entry's involvement in processing tax returns.</p>

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 REVENUE DIVISION – INDIVIDUAL INCOME TAX SECTION
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
<ul style="list-style-type: none"> • Inadequate backup storage procedures. Backup copies of tax return images were not kept off-site during a temporary halt of data entry production. • Taxpayer returns could be left unattended. One courier did not carry a cellular phone or two-way radio to summon help in the event of a mechanical problem. • Inadequate accounting for monies. Image Entry does not account for monies erroneously received and/or notify cash control of the detail of the monies. • Inadequate procedures to review processing at Image Entry. DFA management does not have formal procedures to review refund and no tax due income tax return processing at Image Entry. 	

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 DEPARTMENT OF FINANCE AND ADMINISTRATION REVENUE DIVISION – MOTOR FUEL TAX SECTION
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 DEPARTMENT OF FINANCE AND ADMINISTRATION REVENUE DIVISION – SALES AND USE TAX SECTION
 FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
<p>The Division of Legislative Audit, Information System Section conducted a review of system controls over tax returns processed at Image Entry. Image Entry is an outsourced entity that provides data processing, including document indexing and imaging, of both income and sales tax returns for the State of Arkansas. The following internal control weaknesses were noted during the review:</p> <ul style="list-style-type: none"> • Update access to data entry files not properly controlled. Employees can access sensitive data files not necessary to perform their job duties. • Taxpayer returns could be left unattended. One courier did not carry a cellular phone or two-way radio to summon help in the event of a mechanical problem. 	<p>Ensure internal controls are strengthened regarding Image Entry's involvement in processing tax returns.</p>

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF FINANCE AND ADMINISTRATION REVENUE DIVISION – MISCELLANEOUS TAX SECTION
FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF FINANCE AND ADMINISTRATION REVENUE DIVISION – OFFICE OF MOTOR VEHICLE
FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF FINANCE AND ADMINISTRATION REVENUE DIVISION – OFFICE OF LEGAL COUNSEL
FOR THE YEAR ENDED JUNE 30, 2002

Findings	Recommendations
None	None

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF FINANCE AND ADMINISTRATION – REVENUE DIVISION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Findings	Recommendations
The Arkansas Administrative Statewide Information System (AASIS) is used to account for the financial assets of the state, including equipment. Upon implementation of AASIS, the State was to download data from the old property management system into AASIS. The Agency failed to reconcile the amounts loaded from the old system to AASIS. As a result, there were equipment transactions that did not get recorded correctly. In addition, the Agency was unable to locate all support documents for current year additions. Failure to maintain adequate internal controls over equipment has placed these assets at risk.	Make adjustments as necessary to correct equipment balances in AASIS and maintain proper support documentation for equipment transactions.

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS REVENUE DEPARTMENT BUILDING COMMISSION
FOR THE YEAR ENDED JUNE 30, 2003

Findings	Recommendations
None	None

Employment Summary

	Male	Female	Total	%
White Employees	175	768	943	71 %
Black Employees	38	329	367	28 %
Other Racial Minorities	3	11	14	1 %
Total Minorities			381	29%
Total Employees			1,324	100 %

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Ad Valorem Assessment Return	26-26-1601	N	N	250,000	Statutory requirement to file annual return
Amusement Machine Tax Register	26-57-404	N	N	200	Statutory requirement to register annually
Beef Promotion Assessment Report	2-35-401	N	N	1,350	Statutory requirement to file monthly report
Beer Excise Tax Report	3-7-104(6)(A)	N	N	500	Statutory requirement to file monthly report
Brucellosis & Swine Testing Report	2-40-206	N	N	1,000	Statutory requirement to file monthly report
Catfish Feed Assessment Report	Act 790 of 1999	N	N	200	Statutory requirement to file a report on the 15th day following collection
Cigarette Excise Tax Report	26-57-201	N	N	1,000	Statutory requirement to file monthly report
Cigarette Paper Tax Report	26-57-801	N	N	1,000	Statutory requirement to file monthly report
Coin-Operated Vending Tax Register	Act 928 of 1997	N	N	2,000	Statutory requirement to register annually
Construction Permit Fee Report	Act 474 of 1999	N	N	200	Statutory requirement to file a report on the 15th day following collection
Corn & Grain Sorghum Assessment Report	Act 271 of 1997	N	N	200	Statutory requirement to file monthly report
Corporation Income Tax	26-51-806	N	N	30,000	Required by law
Driver License Renewal Notice	None	N	N	520,000	To remind people when their license expires
Estimated & Withholding	26-51-806	N	N	110,000	Required by law

Gross Receipts Tax Regulations	26-52-105	N	N	15,000	To provide sales and use tax reporting information and guidelines
IFTA Quarterly Report	26-55-1102	N	N	25,000	IFTA Agreement requires that all accounts must file a quarterly report
IFTA Renewal Application	26-55-1102	N	N	3,500	IFTA Agreement requires that all accounts must file an annual renewal
Imported Wine Tax Report	3-7-104(4)(5)	N	N	200	Statutory requirement to file monthly report
Income Tax Booklet	26-51-806	N	N	712,000	Required by law
Liquor Excise Tax Report	3-7-104	N	N	500	Statutory requirement to file monthly report
LPG Renewal Application	26-56-304	N	N	1,200	Required by the Motor Fuel Tax Law
Native Wine Tax Report	3-5-409	N	N	100	Statutory requirement to file monthly report
Oil & Brine Museum Fund Report	26-58-302	N	N	300	Statutory requirement to file monthly report
Package A	26-51-806	N	N	25,000	Required by law
Property Tax Refund Claim Form	26-51-601	N	N	150,000	Statutory requirement to file a claim for refund annually
Registration Renewal Notice	27-14-1014	N	N	1,975,000	Required by law to notify owner of expiration
Rice Promotion Assessment Report	2-20-507	N	N	1,600	Statutory requirement to file monthly report
Sales & Use Tax Reporting Form	26-52-105	N	N	131,800	Statutory Requirement to file monthly/quarterly/annual report
Severance Tax Report	26-58-111	N	N	6,000	Statutory requirement to file monthly report
Soft Drink Assessment Report	26-57-901	N	N	2,500	Statutory requirement to file monthly report
Soybean Promotion Assessment Report	2-20-406	N	N	2,500	Statutory requirement to file monthly report
Sub S Booklet	26-51-806	N	N	25,000	Required by law
Taxpayer Notification Cards	26-51-806	N	N	532,000	Required by law
Timber Processing Tax	26-58-111	N	N	5,000	Statutory requirement to file monthly report
Tobacco Excise Tax Report	26-57-201	N	N	1,000	Statutory requirement to file monthly report
Vehicle Certificate of Title	27-14-713	N	N	1,000,000	Required by law to convey ownership
Vehicle Registration Certificate	27-14-713	N	N	2,500,000	Required by law to be carried in vehicle
Waste Tire Assessment Report	23-3-510	N	N	20,000	Statutory requirement to file monthly report
Wheat Promotion Assessment Report	2-20-606	N	N	2,000	Statutory requirement to file monthly report

Department Appropriation / Program Summary

Appropriation / Program	Historical Data						Agency Request and Executive Recommendation							
	2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
0630P01 Driver and Motor Vehicle Services	30,284,594	784	33,841,043	797	34,651,051	829	35,711,615	799	35,524,454	799	36,272,895	799	36,080,396	799
0630P02 Taxation Administration	367,615,073	308	712,439,139	314	712,783,797	322	715,100,267	337	714,846,752	337	714,633,222	337	714,577,863	337
0630P03 Audit and Collections	11,479,586	191	12,949,109	191	13,258,295	191	14,317,772	207	13,580,439	207	14,575,813	207	14,695,247	207
0630P04 Administration & Support Services	12,298,462	120	14,258,382	125	14,533,468	125	14,779,327	125	14,756,641	125	15,022,657	125	14,999,971	125
238 Property Tax Relief	0	0	29,000,000	0	29,000,000	0	0	0	0	0	0	0	0	0
A54 ABC Permits / Driver Search Fees	0	0	1,737,000	0	1,737,000	0	0	0	0	0	0	0	0	0
Total	421,677,715	1,403	804,224,673	1,427	805,963,611	1,467	779,908,981	1,468	778,708,286	1,468	780,504,587	1,468	780,353,477	1,468

Funding Sources		%		%		%		%		%		%	
Fund Balance 4000005	1,275,447	0.3	1,118,550	0.1		1,320,252	0.2	1,320,252	0.2	1,504,919	0.2	1,504,919	0.2
Special Revenue 4000030	2,121,437	0.5	1,800,000	0.2		1,800,000	0.2	1,800,000	0.2	1,800,000	0.2	1,800,000	0.2
State Central Services 4000035	65,719,140	15.5	73,389,375	9.1		79,793,648	10.2	78,592,953	10.1	80,379,470	10.3	80,228,360	10.3
Cash Fund 4000045	0	0.0	1,737,000	0.2		0	0.0	0	0.0	0	0.0	0	0.0
Tax Refunds 4000485	353,680,241	83.7	727,500,000	90.4		698,500,000	89.4	698,500,000	89.5	698,500,000	89.3	698,500,000	89.3
Total Funds	422,796,265	100.0	805,544,925	100.0		781,413,900	100.0	780,213,205	100.0	782,184,389	100.0	782,033,279	100.0
Excess Appropriation/(Funding)	(1,118,550)		(1,320,252)			(1,504,919)		(1,504,919)		(1,679,802)		(1,679,802)	
Grand Total	421,677,715		804,224,673			779,908,981		778,708,286		780,504,587		780,353,477	

Analysis of Budget Request

Appropriation / Program: 0630P01 - Driver and Motor Vehicle Services

Funding Sources: HSC - State Central Services; SDL - Special Revenue

The Department of Finance and Administration - Division of Revenue Services was a participant in the first implementation phase of Performance Budgeting and Accountability System effective July 1, 2001. The Agency is not currently operating under performance based appropriations in the 2003-2005 biennium, but the 2005-2007 request reflects the conversion.

The DFA - Division of Revenue - Driver and Motor Vehicle Services Program administers vehicle registration, titling laws, issues driver licenses and maintains driver records. The following offices are included in this program:

Office of State Revenue Office Administration

The Office of State Revenue Office Administration allows individuals to apply in person in their county of residence for automobile registration and renewal. The Office consists of six sections: Administration and five districts dividing the State.

Office of Driver Services

This Office consists of six sections: Administration, Issuance, Technical Services, Safety Responsibility, Driver Control and Commercial Driver License. The Issuance section is responsible for procedures for issuance of licenses to qualified individuals and for maintaining driver license records. The Technical Services section is responsible for data entry, Traffic Violation Reports and Revenue Micrographics. The Safety Responsibility section administers the financial responsibility laws. Driver Control monitors problem drivers statewide. The Commercial Driver License section administers that program.

Office of Motor Vehicle

The Office of Motor Vehicle administers licensing, registration and titling of all vehicles subject to registration. The Office consists of five sections: Administration, Systems Support, Direct Services, International Registration Plan and Registration and Title. The Systems Support section provides customer service for motor vehicle automated systems. The International Registration Plan section registers and licenses all Arkansas trucks under the International Registration Plan. The Direct Services section files all direct liens and provides information on motor vehicles to the general public and to law enforcement on a 24 hour basis. The Registration and Title section provides data entry for titles, renewals and registrations, maintains control records for licenses and fees issued and examines applications for title for completeness and proper documentation. It microfilms all documents submitted with applications for title.

The Driver and Motor Vehicle Services Program has three objectives:

- 1) To ensure accurate collection of state revenues for driver's license fees and motor vehicle fees through the operation of a statewide network of local revenue offices.
- 2) To maintain driver records, accident reports, driver license suspensions, insurance verification,

and identify and work with problem drivers.

- 3) To maintain tag inventories, renewals, title and registration data for vehicles and boats and augment registration and title activities of revenue offices.

The Agency obtained 72% of overall Program objectives on their Year-End Progress Report for FY04. Out of nine measures for this Program, the Agency met or exceeded seven targets. The following are two significant targets exceeded:

- 1) Processed 678,338 driver license transactions, exceeding the annual target of 622,160
- 2) Obtained 8% of driver control hearings conducted over the telephone, exceeding the annual target of 1%

The following are two targets that were not met:

- 1) Processed 2,773,118 motor vehicle transactions, not meeting the annual target of 2,800,000. The economy resulted in a reduced number of new and used car purchases.
- 2) Obtained 89% of accident reports recorded in 7 business days after receipt, not meeting the annual target of 95%

The Base Level request of \$34,852,920 for FY06 and \$35,547,774 for FY07 includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for 797 Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

Normal operational expense increases, imaging system expansion, equipment and vehicle replacement, reclassification and upgrade of positions, and IRP are the main reasons for the Change Level Requests for the Driver and Motor Vehicle Services Program.

- The International Registration Plan (IRP) licenses interstate trucks and requires each state to audit a minimum percentage of their accounts each year. The addition of trucks returning to register in Arkansas results will not allow the minimum number of audits to be performed by the current audit staff of two auditors and provide for proper supervision of the audit staff. If Arkansas fails to meet the minimum audit requirement, other states may withhold payment to our state until we return to plan compliance.

Change levels totaling \$858,695 for FY06 and \$725,121 for FY07 are requested:

- Requesting six (6) new positions; \$175,782 for FY06 and \$180,747 for FY07 (Regular Salaries and related Personal Services Matching):
 - State Revenue Office Administration
 - Four (4) Cashier/Cashier II - grade 12
 - Office of Motor Vehicle
 - One (1) Tax Auditor Supervisor - grade 21
 - One (1) Tax Auditor II - grade 20

- Transfer four (4) positions to DFA - Management Services Division - Chief Information Officer; this results in a negative request of (\$147,704) for FY06 and a negative request of (\$151,671) for FY07 (Regular Salaries and related Personal Services Matching):
 - Office of Motor Vehicle
 - One (1) Tax Auditor II - grade 20
 - Two (2) Teleprocessing Monitor - grade 17
 - One (1) Transportation Services Rep - grade 14

- Reclassification of thirty-six (36) positions to provide the appropriate job classifications to correspond with the current duties; \$81,182 for FY06 and \$83,548 for FY07 (Regular Salaries and related Personal Services Matching):
 - State Revenue Office Administration
 - One (1) Tax Auditor II - grade 20 to DFA Division Mgr I - grade 21
 - Four (4) Cashier III - grade 13 to Rev Agent III - grade 17
 - One (1) Rev Agent I - grade 14 to Rev Agent III - grade 17
 - Office of Driver Services
 - One (1) Transportation Services Rep - grade 14 to Administration Assistant II - grade 17
 - Commercial Driver License
 - One (1) Drivers License Hearing Officer II - grade 17 to DFA Revenue Section Supervisor - grade 18
 - Office of Motor Vehicle
 - Nine (9) Transportation Services Rep - grade 14 to Revenue Dept Supervisor - grade 16
 - Eleven (11) Administrative Office Supervisor - grade 15 to Revenue Dept Supervisor - grade 16
 - Seven (7) Revenue Dept Supervisor - grade 16 to DFA Revenue Section Supervisor - grade 18
 - One (1) Administrative Assistant II - grade 17 to Revenue Dept Supervisor - grade 16

- CLIP Reclassification of four (4) positions to provide appropriate job classification for promotion; \$5,771 for FY06 and \$5,892 for FY07 (Regular Salaries and related Personal Services Matching):
 - Office of Motor Vehicle
 - Three (3) Accounting Technician I - grade 12 to Transportation Services Rep - grade 14
 - One (1) Accounting Technician II - grade 15 to Transportation Services Rep - grade 14

- Upgrade five (5) positions; \$13,189 for FY06 and \$13,581 for FY07 (Regular Salaries and related Personal Services Matching):
 - State Revenue Office Administration
 - Five (5) DFA Revenue Asst Dist Manager - grade 18 to grade 19

- Operating Expenses in the amount of \$488,565 for FY06 and \$502,574 for FY07:
 - State Revenue Office Administration
 - Provide for increasing costs in State Revenue offices for utilities, postage, rent, mileage, and vehicle maintenance:
 - \$128,265 FY06
 - \$142,174 FY07
 - Office of Driver Services
 - 50 Software licenses for expansion of imaging system in the Microfilm section:
 - \$60,000 FY06
 - \$ 0 FY07
 - Office of Motor Vehicle
 - Provide for increasing costs related to postage, printing of forms and special decals, and license plate contract :
 - \$300,300 FY06
 - \$360,400 FY07

- Capital Outlay in the amount of \$241,910 for FY06 and \$90,450 for FY07:
 - State Revenue Office Administration
 - Three (3) replacement vehicles each year:
 - \$45,410 FY06
 - \$45,450 FY07
 - Office of Driver Services
 - Three (3) replacement vehicles each year:
 - \$45,000 FY06
 - \$45,000 FY07
 - Imaging System expansion in Microfilm section; 2 scanners and a digital jukebox:
 - \$106,500 FY06
 - \$ 0 FY07
 - Office of Motor Vehicle
 - Replacement microfilm reader printer :
 - \$15,000 FY06
 - \$ 0 FY07
 - 2 new cars for 2 requested positions:
 - \$30,000 FY06
 - \$ 0 FY07

The Executive Recommendation provides for the Agency Request except for the following:

- Reduction in Base Level for Travel-Conference Fees; \$6,501 for each year of the biennium.
- Reduce the Program by four (4) Extra Help positions. This will offset the (4) Cashier/Cashier II - grade 12 positions requested for State Revenue Office Administration; \$97,870 for FY06 and \$100,729 for FY07 (Extra Help Salaries and related Personal Services Matching).

- Reclassification of positions; \$69,601 for FY06 and \$71,688 for FY07 (Regular Salaries and related Personal Services Matching):
 - State Revenue Office Administration
 - One (1) Tax Auditor II - grade 20 to DFA Division Mgr I - grade 21
 - The Executive provides for reclassification to DFA Revenue District Manager - grade 20
 - Four (4) Cashier III - grade 13 to Rev Agent III - grade 17
 - The Executive provides for reclassification to Revenue Agent II - grade 15
 - One (1) Rev Agent I - grade 14 to Rev Agent III - grade 17
 - Office of Driver Services
 - One (1) Transportation Services Rep - grade 14 to Administration Assistant II - grade 17
 - Office of Motor Vehicle
 - Nine (9) Transportation Services Rep - grade 14 to Revenue Dept Supervisor - grade 16
 - Eleven (11) Administrative Office Supervisor - grade 15 to Revenue Dept Supervisor - grade 16
 - Seven (7) Revenue Dept Supervisor - grade 16 to DFA Revenue Section Supervisor - grade 18
 - One (1) Administrative Assistant II - grade 17 to Revenue Dept Supervisor - grade 16

- Upgrade five (5) positions; \$13,189 for FY06 and \$13,581 for FY07 (Regular Salaries and related Personal Services Matching):
 - State Revenue Office Administration
 - Five (5) DFA Revenue Asst Dist Manager - grade 18 to grade 19

Appropriation / Program Summary

Appropriation / Program: 0630P01 Driver and Motor Vehicle Services

Funding Sources: HSC - State Central Services; SDL - Special Revenue

Program Description	Program Goals	
To administer vehicle registration and titling laws and issue driver licenses and maintain driver records.	1	Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.
	2	Improve operational efficiency.

Objective Code	Name	Description
00JG	Objective 1	To ensure accurate collection of state revenues for driver's license fees and motor vehicle fees through the operation of a statewide network of local revenue offices.
01JG	Objective 1	To maintain driver records, accident reports, driver license suspensions, insurance verification, and identify and work with problem drivers.
02JG	Objective 2	To maintain tag inventories, renewals, title and registration data for vehicles and boats and augment registration and title activities of revenue offices.

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1			Efficiency	Percentage of driver and motor vehicle renewal transactions processed via Internet, mail, telephone or 3rd party.	18%/18.70%	22%	25%
1	X	X	Outcome	Percentage of customers satisfied with driver and motor vehicle services based on a customer satisfaction survey.	98%/98%	96%	96%
1	X	X	Output	Number of driver license transactions processed.	622,160/ 678,338	622,160	628,381
1			Outcome	Percentage of accident reports recorded in 7 business days after receipt.	95%/89%	96%	97%
1	X	X	Outcome	Percentage of court actions affecting the status of a driver licensee entered in the data system within 7 business days after receipt.	81%/86%	89%	92%
1			Outcome	Percent of drivers involved in accidents complying with financial responsibility requirements.	91%/91%	93%	94%

Appropriation / Program Summary

Appropriation / Program: 0630P01 Driver and Motor Vehicle Services

Funding Sources: HSC - State Central Services; SDL - Special Revenue

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1			Outcome	Percentage of driver control hearings conducted over the telephone.	1%/8%	3%	3%
1			Outcome	Overall accuracy rate for driver and motor vehicle transactions processed in local revenue offices.	84%/84%	NA	NA
2	X	X	Output	Number of motor vehicle transactions processed (registration, title, renewal).	2,800,000/ 2,773,118	2,856,000	2,885,000

Appropriation / Program Summary

Appropriation / Program: 0630P01 Driver and Motor Vehicle Services

Authorized Program Amount **34,651,051**

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	16,994,989	18,336,999	18,993,060	19,094,247	19,024,742	19,576,434	19,680,877	19,609,289
#Positions		784	797	797	799	799	797	799	799
Extra Help	5010001	149,315	150,000	150,000	150,000	80,728	150,000	150,000	78,328
#Extra Help		35	80	80	80	76	80	80	76
Personal Services Matching	5010003	5,577,155	6,202,269	6,702,085	6,729,118	6,687,235	6,813,565	6,841,219	6,798,481
Overtime	5010006	162	0	0	0	0	0	0	0
Operating Expenses	5020002	5,677,402	7,581,215	7,581,215	8,069,780	8,069,780	7,581,215	8,083,789	8,083,789
Travel-Conference Fees	5050009	9,553	26,501	26,501	26,501	20,000	26,501	26,501	20,000
Professional Fees and Services	5060010	1,601,503	1,400,059	1,400,059	1,400,059	1,400,059	1,400,059	1,400,059	1,400,059
Data Processing	5090012	159,232	0	0	0	0	0	0	0
Refund/Reimbursements	5110014	50	0	0	0	0	0	0	0
Capital Outlay	5120011	115,233	144,000	0	241,910	241,910	0	90,450	90,450
Total		30,284,594	33,841,043	34,852,920	35,711,615	35,524,454	35,547,774	36,272,895	36,080,396

Funding Sources									
Special Revenue	4000030	503,448	449,182	463,165	466,217	466,217	472,857	476,001	476,001
State Central Services	4000035	29,781,146	33,391,861	34,389,755	35,245,398	35,058,237	35,074,917	35,796,894	35,604,395
Total Funding		30,284,594	33,841,043	34,852,920	35,711,615	35,524,454	35,547,774	36,272,895	36,080,396
Excess Appro/(Funding)		0	0	0	0	0	0	0	0
Grand Total		30,284,594	33,841,043	34,852,920	35,711,615	35,524,454	35,547,774	36,272,895	36,080,396

Objective Summary

Objective: 00JG Driver and Motor Vehicle Services - Objective 1 (Goal 1)

Description: To ensure accurate collection of state revenues for driver's license fees and motor vehicle fees through the operation of a statewide network of local revenue offices.

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	10,075,042	10,585,982	10,932,019	11,028,620	11,008,451	11,272,844	11,372,606	11,351,834
#Positions		478	481	481	485	485	481	485	485
Extra Help	5010001	148,960	150,000	150,000	150,000	80,728	150,000	150,000	78,328
#Extra Help		34	62	62	62	58	62	62	58
Personal Services Matching	5010003	3,375,017	3,656,373	3,948,179	3,982,003	3,949,548	4,013,308	4,047,733	4,014,706
Overtime	5010006	162	0	0	0	0	0	0	0
Operating Expenses	5020002	2,806,521	3,492,675	3,492,675	3,620,940	3,620,940	3,492,675	3,634,849	3,634,849
Travel-Conference Fees	5050009	40	6,000	6,000	6,000	4,000	6,000	6,000	4,000
Professional Fees and Services	5060010	825	0	0	0	0	0	0	0
Refund/Reimbursements	5110014	50	0	0	0	0	0	0	0
Capital Outlay	5120011	3,276	45,000	0	45,410	45,410	0	45,450	45,450
Objective Total		16,409,893	17,936,030	18,528,873	18,832,973	18,709,077	18,934,827	19,256,638	19,129,167

Objective Summary

Objective: 01JG Driver and Motor Vehicle Services - Objective 1 (Goal 2)

Description: To maintain driver records, accident reports, driver license suspensions, insurance verification, and identify and work with problem drivers.

Commitment Item	Historical Data		Agency Request and Executive Recommendation					
	2003-2004	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	3,516,136	3,763,768	3,894,120	3,899,885	3,896,682	4,011,454	4,017,392	4,014,093
#Positions	140	144	144	144	144	144	144	144
Personal Services Matching 5010003	1,060,892	1,205,027	1,297,126	1,298,228	1,297,616	1,319,549	1,320,684	1,320,054
Operating Expenses 5020002	502,825	1,088,954	1,088,954	1,148,954	1,148,954	1,088,954	1,088,954	1,088,954
Travel-Conference Fees 5050009	6,083	10,118	10,118	10,118	8,118	10,118	10,118	8,118
Professional Fees and Services 5060010	1,600,613	1,400,059	1,400,059	1,400,059	1,400,059	1,400,059	1,400,059	1,400,059
Data Processing 5090012	159,232	0	0	0	0	0	0	0
Capital Outlay 5120011	63,853	99,000	0	151,500	151,500	0	45,000	45,000
Objective Total	6,909,634	7,566,926	7,690,377	7,908,744	7,902,929	7,830,134	7,882,207	7,876,278

Objective Summary

Objective: 02JG Driver and Motor Vehicle Services - Objective 2 (Goal 2)

Description: To maintain tag inventories, renewals, title and registration data for vehicles and boats and augment registration and title activities of revenue offices.

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	3,403,811	3,987,249	4,166,921	4,165,742	4,119,609	4,292,136	4,290,879	4,243,362
#Positions		166	172	172	170	170	172	170	170
Extra Help	5010001	355	0	0	0	0	0	0	0
#Extra Help		1	18	18	18	18	18	18	18
Personal Services Matching	5010003	1,141,246	1,340,869	1,456,780	1,448,887	1,440,071	1,480,708	1,472,802	1,463,721
Operating Expenses	5020002	2,368,056	2,999,586	2,999,586	3,299,886	3,299,886	2,999,586	3,359,986	3,359,986
Travel-Conference Fees	5050009	3,430	10,383	10,383	10,383	7,882	10,383	10,383	7,882
Professional Fees and Services	5060010	65	0	0	0	0	0	0	0
Capital Outlay	5120011	48,104	0	0	45,000	45,000	0	0	0
Objective Total		6,965,067	8,338,087	8,633,670	8,969,898	8,912,448	8,782,813	9,134,050	9,074,951

Analysis of Budget Request

Appropriation / Program: 0630P02 - Taxation Administration

Funding Sources: HSC - State Central Services; Trust Funds ; Other Funds

The Department of Finance and Administration - Division of Revenue Services was a participant in the first implementation phase of Performance Budgeting and Accountability System effective July 1, 2001. The Agency is not currently operating under performance based appropriations in the 2003-2005 biennium, but the 2005-2007 request reflects the conversion.

The DFA - Division of Revenue - Tax Administration Program combines functions of the Income Tax Administration an Office of Excise Tax Administration, recognizing that these offices serve common taxpayer clients with similar needs. The following offices are included in this Program:

Office of Income Tax Administration

The Office of Income Tax consists of four sections: Administration, Individual Income Tax, Corporate Income Tax and Income Tax Systems. Individual Income Tax administers tax laws as they apply to individuals, fiduciaries, partnerships and estates. Corporate Income Tax administers tax laws applying to corporations doing business in the State. Income Tax Systems processes income tax returns and provides income tax data entry.

Office of Excise Tax Administration

This Office administers tax laws of the State. The Office consists of five sections: Administration, Sales Tax, Motor Fuel Tax, Miscellaneous Tax and Tax Credits. Sales Tax administers taxes on sales, use, mixed drink and beverage excise for State and Local governments. Motor Fuel administers taxes on motor fuel. Miscellaneous Tax administers various tax laws such as cigarette, real estate transfer, amusement, vending and severance. Tax Credits administers the various tax credit programs.

The Tax Administration Program has two objectives:

- 1) To efficiently administer Arkansas' laws for individual and corporation income taxes.
- 2) To efficiently administer Arkansas' laws for excise taxes.

The Agency obtained 69% of this Program's objectives on their Year-End Progress Report for FY04. Out of 26 measures for this Program, the Agency met or exceeded 18 targets. The following are six significant targets exceeded:

- 1) Processed 1,909,737 Individual Income and Withholding Tax returns, exceeding the annual target of 1,200,186
- 2) Obtained 46.20% of Individual Income Tax returns filed electronically, exceeding the annual target of 44%
- 3) Obtained 84% of overall accuracy rate for Corporate Income Tax return processing, exceeding the annual target of 79%
- 4) Processed 713,877 Excise Tax returns, exceeding the annual target of 688,716
- 5) Obtained 15.07% of Excise Tax returns filed electronically, exceeding the annual target of

8.8%

- 6) Obtained 96.66% of overall accuracy rate for Excise Tax return processing, exceeding the annual target of 92%

The following are four targets that were not met:

- 1) Obtained 92.10% of Corporate Income Tax returns filed timely, not meeting the annual target of 95.20%
- 2) Processed Individual Income Tax refunds in an average of 15.5 days, not meeting the annual target of 10.25 days
- 3) Obtained 79% of overall accuracy rate for Individual Income Tax return processing, not meeting the annual target of 83%. Several major law changes affected the accuracy of returns submitted by taxpayers.
- 4) Obtained 92.90% of Excise Tax returns filed timely, not meeting the annual target of 95%

Base Level request of \$713,032,605 for FY06 and \$713,357,293 for FY07 includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for 314 Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

Normal operational expense increases, equipment and vehicle replacement, and the following items are the main reasons for the Change Level Requests for the Tax Administration Program:

- The National Streamline Sales Tax Project that is intended to simplify and standardize sales and use tax laws and administration among the participating States. The States believe this will increase voluntary payments by out of state vendors who do not have traditional nexus with our State. Arkansas has enacted legislation that allows our State to meet the requirements of this project. One of the requirements of the agreement is for each State to provide a database that will allow a consumer or vendor to enter a street address over the Internet and learn all of the state and local sales tax rates that apply to that location. Vendors must also be able to download the entire database for use with their Point of Sale systems.
- Act 46 of 2003, 2nd Extraordinary Session - Business Closure
- Act 107 of 2003, 2nd Extraordinary Session - Expansion of Sales Tax Base

Change levels totaling \$2,067,662 for FY06 and \$1,275,929 for FY07 are requested:

- Requesting twenty-three (23) new positions; \$755,003 for FY06 and \$774,989 for FY07 (Regular Salaries and related Personal Services Matching):
 - Income Tax Administration
 - Six (6) Taxpayer Services Rep - grade 16
 - Excise Tax Administration
 - Twelve (12) Tax Investigator III - grade 18

- Three (3) Accountant II - grade 19
 - Two (2) Taxpayer Services Rep - grade 16
- Reclassification of three (3) positions to provide the appropriate job classifications to correspond with the current duties; \$8,342 for FY06 and \$8,593 for FY07 (Regular Salaries and related Personal Services Matching):
- Income Tax Administration
 - One (1) DFA Division Manager I - grade 21 to DFA Division Manager II - grade 23
 - One (1) Revenue Dept Supervisor - grade 16 to Tax Examiner Supervisor - grade 18
 - One (1) Administrative Assistant II - grade 17 to Tax Examiner Supervisor - grade 18
- CLIP Reclassification of forty-two (42) positions to provide appropriate job classification for promotion; \$116,017 for FY06 and \$119,334 for FY07 (Regular Salaries and related Personal Services Matching):
- Income Tax Administration
 - Eighteen (18) Data Entry Specialist - grade 10 to Document Examiner II - grade 12
 - Two (2) Secretary II - grade 13 to Taxpayer Services Rep - grade 16
 - Excise Tax Administration
 - Twenty-two (22) Tax Investigator - grade 16 to Tax Investigator III - grade 18
- Operating Expenses in the amount of \$223,300 for FY06 and \$163,013 for FY07:
- Income Tax Administration
 - Provide for increasing costs in postage, maintenance costs for microfilm equipment, mileage, RIA online tax law research costs, and PC's related to new positions:
 - \$15,000 FY06
 - \$10,713 FY07
 - Excise Tax Administration
 - Provide for increasing costs related to postage, printing, vehicle maintenance, business travel and the annual membership fee for participation in the Streamlined Sales Tax Organization:
 - \$120,600 FY06
 - \$124,600 FY07
 - Operational costs related to new positions
 - \$87,700 FY06
 - \$27,700 FY07
- Capital Outlay in the amount of \$285,000 for FY06 and \$30,000 for FY07:
- Excise Tax Administration
 - Replacement vehicles Field Tax Investigators:
 - \$105,000 FY06

- \$ 30,000 FY07
 - New Vehicles related to new positions
 - \$180,000 FY06
 - \$ 0 FY07
- Data Processing in the amount of \$680,000 for FY06 and \$180,000 for FY07:
 - Excise Tax Administration
 - Streamlined Sakes Tax Program; allows for the purchase of a database to meet this requirement and provide annual maintenance.
 - \$590,000 FY06
 - \$ 90,000 FY07
 - Increases in tax return imaging technology
 - \$90,000 FY06
 - \$90,000 FY07

The Executive Recommendation provides for the Agency Request except for the following:

- Reduction in Base Level for Travel-Conference Fees; \$13,492 for each year of the biennium.
- Twelve (12) new positions; \$42,150 for FY06 and \$43,422 for FY07 (Regular Salaries and related Personal Services Matching):
 - Excise Tax Administration
 - Twelve (12) Tax Investigator III - grade 18
 - Executive Recommendation provides for twelve (12) Tax Investigator - grade 17
- Provides Income Tax Administration the six (6) Taxpayer Services Rep - grade 16 positions, but without appropriation and funding for FY06; \$181,645
- CLIP Reclassification of forty-two (22) positions; \$70,894 for FY06 and \$73,022 for FY07 (Regular Salaries and related Personal Services Matching):
 - Excise Tax Administration
 - Twenty-two (22) Tax Investigator - grade 16 to Tax Investigator III - grade 18
 - Executive Recommendation provides for an Upgrade for the twenty-two (22) positions to Tax Investigator - grade 17; \$63,666 for FY06 and \$65,577 for FY07
- Operating Expenses in the amount of \$9,000 in FY06 is moved to FY07. This amount was allocated to PC's for the six (6) new positions in Income Tax Administration.

Appropriation / Program Summary

Appropriation / Program: 0630P02 Taxation Administration
Funding Sources: HSC - State Central Services; Trust Funds ; Other Funds

Program Description	Program Goals
This program combines functions of the Office of Excise Tax Administration and Income Tax Administration, recognizing that these offices serve common taxpayer clients with similar needs.	1 Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

Objective Code	Name	Description
10JG	Objective 1	To efficiently administer Arkansas' laws for individual and corporation income taxes.
11JG	Objective 2	To efficiently administer Arkansas' laws for excise taxes.

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1			Output	Number of tax returns processed- Income Tax	1,200,186/ 1,909,737	2,052,780	2,062,633
1	X	X	Efficiency	Percentage of taxes collected voluntarily (percent of total revenues collected voluntarily or pursuant to enforcement or audit activities)-Individual Income Tax	99.90%/ 98.20%	99.7%	99.7%
1	X	X	Efficiency	Revenues collected through voluntary tax collections per dollar of tax administration activity -Income Tax	\$304.00/ \$301.00	\$308.00	\$308.00
1			Efficiency	Percentage of returns filed timely-Income Tax	96.30%/ 96.80%	96%	96%
1	X	X	Outcome	Overall accuracy rate for return processing: Corporate Income Tax		79%	79%
1	X	X	Outcome	Average number of days to process a refund-Income Tax	10.25/15.5	23	23
1			Output	Number of seminars presented on tax regulations - Income Tax.	18/24	14	14
1			Outcome	Percent of taxpayers satisfied with accessibility, accuracy and timeliness of services based on a Customer Satisfaction Survey-Individual Income Tax	71%/100%	90%	92%

Appropriation / Program Summary

Appropriation / Program: 0630P02 Taxation Administration
Funding Sources: HSC - State Central Services; Trust Funds ; Other Funds

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1			Outcome	Percent of taxpayers satisfied with accessibility, accuracy and timeliness of services based on a Customer Satisfaction Survey-Corporate Income Tax	76%/100%	90%	90%
1			Outcome	Percentage of returns filed electronically-Income Tax	44%/46.20%	53%	55%
1			Outcome	Overall accuracy rate for return processing-Income Tax	83%/79%	87%	89%
1			Efficiency	Percentage of returns filed timely-Corporate Income Tax	95.2%/92.1%	NA	NA
1			Efficiency	Percentage of taxes collected voluntarily (as a percent of total revenues collected voluntarily or pursuant to enforcement or audit activities)-Corporate Income Tax	97.40%/98%	NA	NA
1			Efficiency	Percentage of returns filed electronically-Corporate Income Tax	0%/0%	NA	NA
1			Outcome	Average number of days to process a refund-Corporate Income Tax	90/90	NA	NA
1			Outcome	Overall accuracy rate for return processing-Corporate Income Tax	79%/84%	NA	NA
1			Output	Number of tax returns processed-Corporate Income Tax	31,386/ 33,550	NA	NA
2			Output	Number of tax returns processed-Excise Tax	688,716/ 713,877	750,000	760,000
2	X	X	Efficiency	Percentage of taxes collected voluntarily (percent of total revenues collected voluntarily or pursuant to enforcement or audit activities)-Excise Tax	98.40%/ 98.19%	98.40%	98.40%
2	X	X	Efficiency	Revenues collected through voluntary tax collections per dollar of tax administration activity-Excise Tax	\$460.00/ \$467.86	\$500	\$520
2			Efficiency	Percentage of returns filed timely-Excise Tax	95.00%/ 92.90%	95%	95%
2			Outcome	Percentage of returns filed electronically-Excise Tax	8.80%/ 15.07%	15%	15.5%

Appropriation / Program Summary

Appropriation / Program: 0630P02 Taxation Administration
Funding Sources: HSC - State Central Services; Trust Funds ; Other Funds

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
2	X	X	Outcome	Average number of days to process a refund-Excise Tax	120/93.94	110	105
2	X	X	Outcome	Overall accuracy rate for return processing-Excise Tax	92%/96.66%	96%	96%
2			Output	Number of seminars presented on tax regulations-Excise Tax	18/14	14	14
2			Outcome	Percent of taxpayers satisfied with accessibility, accuracy and timeliness of services based on a Customer Satisfaction Survey - Excise Tax	76%/97%	90%	90%

Appropriation / Program Summary

Appropriation / Program: 0630P02 Taxation Administration
Authorized Program Amount 712,783,797

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data		2005-2006			2006-2007		
		2003-2004 Actual	2004-2005 Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	7,707,130	8,677,095	9,067,026	9,731,153	9,556,539	9,339,622	10,023,525	9,980,817
#Positions		308	314	314	337	337	314	337	337
Extra Help	5010001	0	0	0	0	0	0	0	0
#Extra Help		0	22	22	22	22	22	22	22
Personal Services Matching	5010003	2,340,178	2,731,267	2,952,802	3,168,037	3,111,628	3,004,894	3,223,907	3,215,748
Overtime	5010006	161	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Operating Expenses	5020002	3,792,460	2,404,285	2,404,285	2,627,585	2,618,585	2,404,285	2,567,298	2,576,298
Travel-Conference Fees	5050009	16,983	33,492	33,492	33,492	20,000	33,492	33,492	20,000
Data Processing	5090012	0	0	0	680,000	680,000	0	180,000	180,000
Refund/Reimbursements	5110014	353,671,122	697,000,000	697,000,000	697,000,000	697,000,000	697,000,000	697,000,000	697,000,000
Claims	5110015	9,119	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Capital Outlay	5120011	77,920	18,000	0	285,000	285,000	0	30,000	30,000
Total		367,615,073	712,439,139	713,032,605	715,100,267	714,846,752	713,357,293	714,633,222	714,577,863

Funding Sources									
State Central Services	4000035	13,934,832	13,939,139	14,532,605	16,600,267	16,346,752	14,857,293	16,133,222	16,077,863
Tax Refunds	4000485	353,680,241	698,500,000	698,500,000	698,500,000	698,500,000	698,500,000	698,500,000	698,500,000
Total Funding		367,615,073	712,439,139	713,032,605	715,100,267	714,846,752	713,357,293	714,633,222	714,577,863
Excess Appro/(Funding)		0	0	0	0	0	0	0	0
Grand Total		367,615,073	712,439,139	713,032,605	715,100,267	714,846,752	713,357,293	714,633,222	714,577,863

Objective Summary

Objective: 10JG Taxation Administration - Objective 1

Description: To efficiently administer Arkansas' laws for individual and corporation income taxes.

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2003-2004	2004-2005	2005-2006			2006-2007			
	Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive	
Regular Salaries 5010000	3,506,605	4,015,551	4,225,249	4,403,294	4,270,136	4,353,345	4,536,589	4,536,589	
#Positions	154	157	157	163	163	157	163	163	
Extra Help 5010001	0	0	0	0	0	0	0	0	
#Extra Help	0	10	10	10	10	10	10	10	
Personal Services Matching 5010003	1,110,822	1,311,105	1,424,658	1,481,723	1,433,236	1,449,137	1,507,195	1,507,195	
Overtime 5010006	161	75,000	75,000	75,000	75,000	75,000	75,000	75,000	
Operating Expenses 5020002	2,967,826	1,191,038	1,191,038	1,206,038	1,197,038	1,191,038	1,201,751	1,210,751	
Travel-Conference Fees 5050009	5,133	15,491	15,491	15,491	8,745	15,491	15,491	8,745	
Refund/Reimbursements 5110014	315,858,648	645,000,000	645,000,000	645,000,000	645,000,000	645,000,000	645,000,000	645,000,000	
Objective Total	323,449,195	651,608,185	651,931,436	652,181,546	651,984,155	652,084,011	652,336,026	652,338,280	

Objective Summary

Objective: 11JG Taxation Administration - Objective 2

Description: To efficiently administer Arkansas' laws for excise taxes.

Commitment Item	Historical Data		Agency Request and Executive Recommendation					
	2003-2004	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	4,200,525	4,661,544	4,841,777	5,327,859	5,286,403	4,986,277	5,486,936	5,444,228
#Positions	154	157	157	174	174	157	174	174
Extra Help 5010001	0	0	0	0	0	0	0	0
#Extra Help	0	12	12	12	12	12	12	12
Personal Services Matching 5010003	1,229,356	1,420,162	1,528,144	1,686,314	1,678,392	1,555,757	1,716,712	1,708,553
Operating Expenses 5020002	824,634	1,213,247	1,213,247	1,421,547	1,421,547	1,213,247	1,365,547	1,365,547
Travel-Conference Fees 5050009	11,850	18,001	18,001	18,001	11,255	18,001	18,001	11,255
Data Processing 5090012	0	0	0	680,000	680,000	0	180,000	180,000
Refund/Reimbursements 5110014	37,812,474	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000
Claims 5110015	9,119	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Capital Outlay 5120011	77,920	18,000	0	285,000	285,000	0	30,000	30,000
Objective Total	44,165,878	60,830,954	61,101,169	62,918,721	62,862,597	61,273,282	62,297,196	62,239,583

Analysis of Budget Request

Appropriation / Program: 0630P03 - Audit and Collections

Funding Sources: HSC - State Central Services

The Department of Finance and Administration - Division of Revenue Services was a participant in the first implementation phase of Performance Budgeting and Accountability System effective July 1, 2001. The Agency is not currently operating under performance based appropriations in the 2003-2005 biennium, but the 2005-2007 request reflects the conversion.

The DFA - Division of Revenue - Audit and Collections Program is the enforcement and collection of taxes through audits. The Office of Field Audit is the only office included in this program.

Office of Field Audit

The Office is organized into nine sections: Administration, five Audit Districts covering the State, Audit Coordination, Collections and Nexus. The Audit Districts are responsible for performing audits and collection of delinquent taxes in their district. Audit Coordination organizes requests for information and audits between the various tax sections and the Audit Districts. The Collections Section collects delinquent and deficient taxes as well as insufficient fund checks.

The Office of Field Audit has one objective:

- 1) To maximize revenue collections through enforcement and collections efforts

The Agency obtained 100% of this Program's objectives on their Final Progress Report for FY04. Out of five measures for this Program, the Agency met or exceeded all five targets. The following are three targets that were significantly exceeded:

- 1) Completed 3,011 audits, exceeding the annual target of 2,968
- 2) Collected 96% of insufficient checks collected, exceeding the annual target of 76%
- 3) Additional revenue collected through enforcement and audit activities as compared to the cost of audit and collections activities were \$3.74 to \$1.00, exceeding the annual target of \$3.63 to \$1.00.

Base Level request of \$13,258,878 for FY06 and \$13,546,508 for FY07 includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for 191 Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

Change levels totaling \$1,058,894 for FY06 and \$1,029,305 for FY07 are requested:

- Requesting sixteen (16) new positions; \$559,962 for FY06 and \$574,908 for FY07 (Regular Salaries and related Personal Services Matching):
 - Ten (10) Tax Auditor II - grade 20

- Six (6) Taxpayer Services Rep - grade 16
- Reclassification of six (6) positions to provide the appropriate job classifications to correspond with the current duties; \$13,171 for FY06 and \$13,566 for FY07 (Regular Salaries and related Personal Services Matching):
 - Three (3) DFA Revenue Section Supervisor - grade 18 to DFA Division Manager I - grade 21
 - Three (3) Revenue Dept Supervisor - grade 16 to DFA Revenue Section Supervisor - grade 18
- CLIP Reclassification of three (3) positions to provide appropriate job classification for promotion; \$4,813 for FY06 and \$4,957 for FY07 (Regular Salaries and related Personal Services Matching):
 - Three (3) Delinquent Tax Collector - grade 15 to Taxpayer Services Rep - grade 16
- Transfer to DFA-Management Services one (1) position and transfer from DFA-Management Services one (1) positions; \$29,628 for FY06 and \$30,474 for FY07 is the net of the transfer
 - One (1) Audit Tax Supervisor from DFA-Management Services - grade 21
 - One (1) Tax Auditor II to DFA-Management Services - grade 20
- Operating Expenses in the amount of \$149,600 for FY06 and \$151,150 for FY07:
 - Equipment and software related to new positions
 - \$42,000 FY06
 - \$12,500 FY07
 - Operating costs related to new positions
 - \$31,200 FY06
 - \$36,750 FY07
 - Provide for increasing costs in existing operations (postage, utilities, mileage, vehicle maintenance, etc)
 - \$76,400 FY06
 - \$101,900 FY07
- Professional Fees in the amount of \$60,000 for FY06 and \$75,000 for FY07; paying filing fees to county clerks and for legal costs of collections
- Capital Outlay in the amount of \$241,720 for FY06 and \$179,250 for FY07:
 - Replacement of Vehicles
 - \$140,470 FY06
 - \$155,750 FY07
 - Replacement of two telephone systems
 - \$10,250 FY06
 - \$ 6,500 FY07
 - New vehicles for six new positions
 - \$91,000 FY06
 - \$17,000 FY07

The Executive Recommendation provides for Agency Request except for:

- Provides for the sixteen (16) new positions; ten (10) Tax Auditor II - grade 20 and six (6) Taxpayer Services Rep - grade 16, but without appropriation and funding for FY06; \$559,962(Regular Salaries and related Personal Services Matching):
- Reclassification of six (6) positions; \$13,171 for FY06 and \$13,566 for FY07 (Regular Salaries and related Personal Services Matching):
 - Three (3) DFA Revenue Section Supervisor - grade 18 to DFA Division Manager I - grade 21
 - Three (3) Revenue Dept Supervisor - grade 16 to DFA Revenue Section Supervisor - grade 18
- Operating Expenses decrease in FY06 in the amount of \$73,200:
 - Equipment and software related to new positions
 - \$42,000 FY06
 - Operating costs related to new positions
 - \$31,200 FY06
- Operating Expenses increase in FY07 in the amount of \$42,000 for equipment and software related to the new positions. This amount was originally requested for FY06.
- Capital Outlay decrease in FY06 in the amount of \$91,000:
 - New vehicles for six new positions
 - \$91,000 FY06
- Capital Outlay increases in FY07 in the amount of \$91,000 for new vehicles related to the six new positions. This amount was originally requested for FY06.

Appropriation / Program Summary

Appropriation / Program: 0630P03 Audit and Collections

Funding Sources: HSC - State Central Services

Program Description	Program Goals	
This program is the enforcement and collection of taxes through audits.	1	Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

Objective Code	Name	Description
20JG	Objective 1	To maximize revenue collections through enforcement and collection efforts.

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1			Output	Number of audits completed	2,968/3,011	3,028	3,088
1	X	X	Outcome	Percent of amounts assessed in an audit actually collected	62.50%/64%	66%	67%
1			Efficiency	Percent of taxpayers contacted within 30 days of assignment of case to Collections	87%/87%	88%	88%
1			Outcome	Percent of insufficient checks collected	76%/96%	96%	96%
1	X	X	Efficiency	Additional revenue collected through enforcement and audit activities as compared to the cost of audit and collection activities	\$3.63 to \$1.00/\$3.74 to \$1.00	\$3.85	\$3.97

Appropriation / Program Summary

Appropriation / Program: 0630P03 Audit and Collections
Authorized Program Amount 13,258,295

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	7,711,283	7,930,083	8,167,580	8,626,088	8,196,492	8,409,062	8,881,281	8,869,891
#Positions		191	191	191	207	207	191	207	207
Personal Services Matching	5010003	1,918,009	2,059,741	2,294,263	2,443,329	2,299,792	2,340,411	2,492,097	2,489,921
Operating Expenses	5020002	1,690,942	2,033,437	2,033,437	2,183,037	2,109,837	2,033,437	2,184,587	2,226,587
Travel-Conference Fees	5050009	7,847	55,450	55,450	55,450	55,450	55,450	55,450	55,450
Professional Fees and Services	5060010	800	708,148	708,148	768,148	768,148	708,148	783,148	783,148
Capital Outlay	5120011	150,705	162,250	0	241,720	150,720	0	179,250	270,250
Total		11,479,586	12,949,109	13,258,878	14,317,772	13,580,439	13,546,508	14,575,813	14,695,247

Funding Sources									
State Central Services	4000035	11,479,586	12,949,109	13,258,878	14,317,772	13,580,439	13,546,508	14,575,813	14,695,247
Total Funding		11,479,586	12,949,109	13,258,878	14,317,772	13,580,439	13,546,508	14,575,813	14,695,247
Excess Appro/(Funding)		0	0	0	0	0	0	0	0
Grand Total		11,479,586	12,949,109	13,258,878	14,317,772	13,580,439	13,546,508	14,575,813	14,695,247

Objective Summary

Objective: 20JG Audit and Collections - Objective 1

Description: To maximize revenue collections through enforcement and collection efforts.

Commitment Item	Historical Data		Agency Request and Executive Recommendation					
	2003-2004	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	7,711,283	7,930,083	8,167,580	8,626,088	8,196,492	8,409,062	8,881,281	8,869,891
#Positions	191	191	191	207	207	191	207	207
Personal Services Matching 5010003	1,918,009	2,059,741	2,294,263	2,443,329	2,299,792	2,340,411	2,492,097	2,489,921
Operating Expenses 5020002	1,690,942	2,033,437	2,033,437	2,183,037	2,109,837	2,033,437	2,184,587	2,226,587
Travel-Conference Fees 5050009	7,847	55,450	55,450	55,450	55,450	55,450	55,450	55,450
Professional Fees and Services 5060010	800	708,148	708,148	768,148	768,148	708,148	783,148	783,148
Capital Outlay 5120011	150,705	162,250	0	241,720	150,720	0	179,250	270,250
Objective Total	11,479,586	12,949,109	13,258,878	14,317,772	13,580,439	13,546,508	14,575,813	14,695,247

Analysis of Budget Request

Appropriation / Program: 0630P04 - Administration & Support Services

Funding Sources: HSC - State Central Services; SDL - Special Revenue

The Department of Finance and Administration - Division of Revenue Services was a participant in the first implementation phase of Performance Budgeting and Accountability System effective July 1, 2001. The Agency is not currently operating under performance based appropriations in the 2003-2005 biennium, but the 2005-2007 request reflects the conversion.

The DFA - Division of Revenue - Administration and Support Services Program provides support for the other programs in the Revenue Division. The following offices are included in this Program:

Office of Assistant Commissioner for Operations and Administration

This Office consists of three sections: Office of the Assistant Commissioner, Cashier and General Services. The Cashier section prepares deposits of all monies for deposit with the State Treasurer. The General Services section is responsible for audits all State Revenue Offices, reconciles bank accounts and processes revenues collected by State Revenue Offices, building maintenance and security, central supply, processing all revenues paid by mail and all incoming and outgoing mail.

Office of the Assistant Commissioner for Policy and Legal

This Office consists of three sections: one for the Assistant Commissioner, another for Hearings and Appeals and lastly Taxpayer Assistance. The Office of Assistant Commissioner for Policy and Legal was created in 1995. This Office is responsible for policy and legal matters for the Revenue Division. The Hearings and Appeals Section was created by Act 401 of 1979 and is responsible for reviewing all written protests submitted by taxpayers and making findings on proposed assessments. The Taxpayer Assistance Office was created in 1993 and assists taxpayers in resolving problems with the various offices in the Revenue Division.

Office of Revenue Legal Counsel

This Office provides legal counsel for the Revenue Division and the operating offices of the Revenue Division. It represents the Division in litigation involving taxes, fees, licenses and programs administered by the Division.

The Administration and Support Services Program has two objectives:

- 1) Provide administrative direction and support to insure that department programs meet their objectives and performance targets.
- 2) To provide for general operations support otherwise not included in the Administration Program or treated as a direct cost in other programs.

The Agency obtained 72% of overall program objectives on their Year-End Progress Report for FY04, not meeting the annual target of 90% for this Key Measure. Revisions of measures and targets have been approved for the 2005-2009 Strategic Plan and the Agency should see improvement for this target.

Base Level request of \$14,464,448 for FY06 and \$14,598,220 for FY07 includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for 125 Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

Change levels totaling \$314,879 for FY06 and \$424,437 for FY07 are requested:

- CLIP Reclassification of three (3) positions to provide appropriate job classification for promotion; \$6,517 for FY06 and \$6,712 for FY07 (Regular Salaries and related Personal Services Matching):
 - Office of Assistant Commissioner for Operations and Administration
 - Two (2) Accountant - grade 18 to Accountant II - Grade 19
 - Office of Revenue Legal Counsel
 - One (1) Accountant - grade 18 to Accountant II - Grade 19

- Operating Expenses in the amount of \$223,362 for FY06 and \$382,725 for FY07:
 - Office of Assistant Commissioner for Operations and Administration
 - Anticipated increases in operating expenses - printing and 10% increase in postage
 - \$206,362 FY06
 - \$362,725 FY07
 - Office of Revenue Legal Counsel
 - Replacement PC's and printers
 - \$7,000 FY06
 - \$8,000 FY07
 - Additional expenses for Westlaw (research tool for attorneys and legal assistants) and Pacer Services (used by bankruptcy attorneys and legal assistants)
 - \$10,000 FY06
 - \$12,000 FY07

- Professional Fees & Services in the amount of \$5,000 for FY06 and \$5,000 for FY07:
 - Office of Revenue Legal Counsel
 - Legal fees for increasing number of injunctions for operating without a permit

- Capital Outlay in the amount of \$80,000 for FY06 and \$30,000 for FY07:
 - Office of Assistant Commissioner for Operations and Administration
 - Replacement vehicles
 - \$30,000 FY06
 - \$30,000 FY07
 - Replacement of high-volume paper shredder
 - \$50,000 FY06

The Executive Recommendation provides for the Agency Request with a reduction in Base Level in Travel-Conference Fees of \$22,686 for each year of the biennium.

Appropriation / Program Summary

Appropriation / Program: 0630P04 Administration and Support Services

Funding Sources: HSC - State Central Services; SDL - Special Revenue

Program Description	Program Goals	
This program provides support for the other programs in the Revenue Division. Included are the Assistant Commissioner's offices and Revenue Legal Counsel.	1	Improve operational efficiency

Objective Code	Name	Description
25JG	Objective 1	Provide administrative direction and support to insure that department programs meet their objectives and performance targets.
26JG	Objective 2	To provide for general operations support not otherwise included in the Administration program or treated as a direct cost in other programs.

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1	X	X	Outcome	Percentage of key performance measures of all agency programs for which targeted levels of performance were met or exceeded.	90%/72%	92%	94%
1	X	X	Efficiency	Percentage of budget in the administration program compared to total agency budget (excluding refunds)	<10%/14%	9%	9%
1	X	X	Outcome	Number of prior year audit findings repeated in a subsequent audit	1/2	1	0
1			Outcome	Number of days to enter all year-end closing entries into AASIS required for CAFR Report		63 days	63 days
1			Outcome	Number of security and privacy policies promulgated by the State Executive Chief Information Officer implemented in required timeframe		4	4
2			Outcome	Average time to deposit or credit revenues to the correct treasury account	<3 days/2 days	2.5 days	2.4 days
2			Outcome	Number of days to issue legal opinions requested by taxpayers	85/71	80	76
2			Outcome	Percentage of administrative hearing decisions issued within 30 days of hearing and/or final submission	78.60%/80%	79%	80%

Appropriation / Program Summary

Appropriation / Program: 0630P04 Administration and Support Services

Funding Sources: HSC - State Central Services; SDL - Special Revenue

Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
2			Outcome	Number of proprietary information systems maintained by agency staff or maintained through contractual services	12/12	NA	NA
2			Efficiency	Agency information technology budget as a percent of total agency budget (excluding refunds)	0%/0%	NA	NA

Appropriation / Program Summary

Appropriation / Program: 0630P04 Administration & Support Services

Authorized Program Amount **14,533,468**

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	3,257,177	3,590,951	3,739,354	3,744,826	3,744,826	3,851,727	3,857,362	3,857,362
#Positions		120	125	125	125	125	125	125	125
Extra Help	5010001	140,983	586,138	586,138	586,138	586,138	586,138	586,138	586,138
#Extra Help		24	123	123	123	123	123	123	123
Personal Services Matching	5010003	1,004,437	1,162,599	1,250,262	1,251,307	1,251,307	1,271,661	1,272,738	1,272,738
Overtime	5010006	967	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Operating Expenses	5020002	6,302,183	7,591,892	7,591,892	7,815,254	7,815,254	7,591,892	7,974,617	7,974,617
Travel-Conference Fees	5050009	5,462	42,686	42,686	42,686	20,000	42,686	42,686	20,000
Professional Fees and Services	5060010	8,394	5,000	5,000	10,000	10,000	5,000	10,000	10,000
Data Processing	5090012	789,884	949,116	949,116	949,116	949,116	949,116	949,116	949,116
Refund/Reimbursements	5110014	0	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Outlay	5120011	4,274	30,000	0	80,000	80,000	0	30,000	30,000
Ledbetter Bldg Infrastructure	5900046	784,701	0	0	0	0	0	0	0
Total		12,298,462	14,258,382	14,464,448	14,779,327	14,756,641	14,598,220	15,022,657	14,999,971

Funding Sources									
Fund Balance	4000005	1,275,447	1,118,550	1,320,252	1,320,252	1,320,252	1,504,919	1,504,919	1,504,919
Special Revenue	4000030	1,617,989	1,350,818	1,333,783	1,333,783	1,333,783	1,323,999	1,323,999	1,323,999
State Central Services	4000035	10,523,576	13,109,266	13,315,332	13,630,211	13,607,525	13,449,104	13,873,541	13,850,855
Total Funding		13,417,012	15,578,634	15,969,367	16,284,246	16,261,560	16,278,022	16,702,459	16,679,773
Excess Appro/(Funding)		(1,118,550)	(1,320,252)	(1,504,919)	(1,504,919)	(1,504,919)	(1,679,802)	(1,679,802)	(1,679,802)
Grand Total		12,298,462	14,258,382	14,464,448	14,779,327	14,756,641	14,598,220	15,022,657	14,999,971

Objective Summary

Objective: 25JG Administration and Support Services - Objective 1

Description: Provide administrative direction and support to insure that department programs meet their objectives and performance targets.

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2003-2004	2004-2005	2005-2006			2006-2007			
	Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive	
Regular Salaries 5010000	511,801	286,754	294,351	294,351	294,351	302,106	302,106	302,106	
#Positions	10	5	5	5	5	5	5	5	
Extra Help 5010001	6,827	0	0	0	0	0	0	0	
#Extra Help	1	1	1	1	1	1	1	1	
Personal Services Matching 5010003	118,186	70,884	74,559	74,559	74,559	75,965	75,965	75,965	
Operating Expenses 5020002	25,224	63,865	63,865	63,865	63,865	63,865	63,865	63,865	
Travel-Conference Fees 5050009	481	20,777	20,777	20,777	9,434	20,777	20,777	9,434	
Professional Fees and Services 5060010	1,060	0	0	0	0	0	0	0	
Refund/Reimbursements 5110014	0	250,000	250,000	250,000	250,000	250,000	250,000	250,000	
Objective Total	663,579	692,280	703,552	703,552	692,209	712,713	712,713	701,370	

Objective Summary

Objective: 26JG Administration and Support Services - Objective 2

Description: To provide for general operations support not otherwise included in the Administration program or treated as a direct cost in other programs.

Commitment Item	Historical Data		Agency Request and Executive Recommendation					
	2003-2004	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	2,745,376	3,304,197	3,445,003	3,450,475	3,450,475	3,549,621	3,555,256	3,555,256
#Positions	110	120	120	120	120	120	120	120
Extra Help 5010001	134,156	586,138	586,138	586,138	586,138	586,138	586,138	586,138
#Extra Help	23	122	122	122	122	122	122	122
Personal Services Matching 5010003	886,251	1,091,715	1,175,703	1,176,748	1,176,748	1,195,696	1,196,773	1,196,773
Overtime 5010006	967	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Operating Expenses 5020002	6,276,959	7,528,027	7,528,027	7,751,389	7,751,389	7,528,027	7,910,752	7,910,752
Travel-Conference Fees 5050009	4,981	21,909	21,909	21,909	10,566	21,909	21,909	10,566
Professional Fees and Services 5060010	7,334	5,000	5,000	10,000	10,000	5,000	10,000	10,000
Data Processing 5090012	789,884	949,116	949,116	949,116	949,116	949,116	949,116	949,116
Capital Outlay 5120011	4,274	30,000	0	80,000	80,000	0	30,000	30,000
Ledbetter Bldg Infrastructure 5900046	784,701	0	0	0	0	0	0	0
Objective Total	11,634,883	13,566,102	13,760,896	14,075,775	14,064,432	13,885,507	14,309,944	14,298,601

Analysis of Budget Request

Appropriation / Program: 238 - Property Tax Relief

Funding Sources: MOA - Property Tax Relief

The Department of Finance and Administration - Revenue Division processes refunds for taxes paid from various sources. Appropriations to the Agency for Refunds/Reimbursements provide the mechanism necessary to refund collections of the various taxes as may be necessary.

The Base Level for Property Tax Relief is \$29,000,000 each year of the biennium.

The law was changed to provide for credits on property tax bills issued by the county, an additional 1/2% sales tax was levied which is reported to the State Treasurer who in turn refunds the monies directly to the counties.

A negative change level of \$29,000,000 each year of the biennium reflects the discontinuation of this program.

The Executive Recommendation provides for the Agency Request.

Appropriation / Program Summary

Appropriation / Program: 238 Property Tax Relief
Funding Sources: MOA - Property Tax Relief

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refund/Reimbursements 5110014	0	29,000,000	29,000,000	29,000,000	0	0	29,000,000	0	0
Total	0	29,000,000	29,000,000	29,000,000	0	0	29,000,000	0	0
Funding Sources									
Tax Refunds 4000485	0	29,000,000		29,000,000	0	0	29,000,000	0	0
Total Funding	0	29,000,000		29,000,000	0	0	29,000,000	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	29,000,000		29,000,000	0	0	29,000,000	0	0

Appropriation is not requested for the 2005-2007 biennium.

Change Level by Appropriation

Appropriation / Program: 238-Property Tax Relief
Funding Sources: MOA - Property Tax Relief

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	29,000,000	0	29,000,000	100.0	29,000,000	0	29,000,000	100.0
C03	Discontinue Program	(29,000,000)	0	0	0.0	(29,000,000)	0	0	0.0

Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	29,000,000	0	29,000,000	100.0	29,000,000	0	29,000,000	100.0
C03	Discontinue Program	(29,000,000)	0	0	0.0	(29,000,000)	0	0	0.0

Justification

C03	Law was changed to provide for credits on property tax bills issued by the county, an additional 1/2% sales tax was levied which is reported to the State Treasurer who in turn refunds the monies to the counties.
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Analysis of Budget Request

Appropriation / Program: A54 - ABC Permits / Driver Search Fees

Funding Sources: 130 - Revenue ABC Permits/Refund Fees

This appropriation provided the Department of Finance and Administration - Revenue Division a mechanism to remit collections to the State Treasurer and refund fees collected as may be necessary for Alcoholic Beverage Control Permits and Driver Search Fees. The fee for an Alcoholic Beverage Control Permit was collected by the Revenue Division and deposited into an account until action is taken to issue or deny the permit. Approved applications resulted in a transfer to the State Treasurer of fees due the State. Applicants who were denied permits were issued a refund.

The Base Level for this appropriation is \$1,737,000 for each year of the biennium.

Fees are now refunded through DFA - Alcohol Beverage and Control - Administration Division. A negative change level of \$1,737,000 each year of the biennium reflects the discontinuation of this program.

The Executive Recommendation provides for the Agency Request.

Appropriation / Program Summary

Appropriation / Program: A54 ABC Permits / Driver Search Fees
Funding Sources: 130 - Revenue ABC Permits/Refund Fees

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2003-2004 Actual	2004-2005 Budget	2004-2005 Authorized	2005-2006			2006-2007		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Refund/Reimbursements 5110014	0	1,737,000	1,737,000	1,737,000	0	0	1,737,000	0	0
Total	0	1,737,000	1,737,000	1,737,000	0	0	1,737,000	0	0
Funding Sources									
Cash Fund 4000045	0	1,737,000		1,737,000	0	0	1,737,000	0	0
Total Funding	0	1,737,000		1,737,000	0	0	1,737,000	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	1,737,000		1,737,000	0	0	1,737,000	0	0

Appropriation is not requested for the 2005-2007 biennium.

Change Level by Appropriation

Appropriation / Program: A54-ABC Permits / Driver Search Fees

Funding Sources: 130 - Revenue ABC Permits/Refund Fees

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	1,737,000	0	1,737,000	100.0	1,737,000	0	1,737,000	100.0
C03	Discontinue Program	(1,737,000)	0	0	0.0	(1,737,000)	0	0	0.0

Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	1,737,000	0	1,737,000	100.0	1,737,000	0	1,737,000	100.0
C03	Discontinue Program	(1,737,000)	0	0	0.0	(1,737,000)	0	0	0.0

Justification

C03	Revenue Department Cashier's Office no longer uses this holding account appropriation.
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