

## DEPARTMENT OF REVENUE

### GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY17 Adjusted Base	FY18 Recommended	% Change Over FY17	FY19 Recommended	% Change Over FY18
GPR	110,151,500	108,812,600	-1.2	109,042,300	0.2
PR-O	13,524,100	12,983,600	-4.0	13,173,600	1.5
PR-S	8,047,100	7,394,100	-8.1	7,406,700	0.2
SEG-O	80,358,800	81,314,000	1.2	81,579,600	0.3
TOTAL	212,081,500	210,504,300	-0.7	211,202,200	0.3

### FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY17 Adjusted Base	FY18 Recommended	FTE Change Over FY17	FY19 Recommended	FTE Change Over FY18
GPR	968.53	963.28	-5.25	953.33	-9.95
PR-O	116.30	124.30	8.00	124.30	0.00
PR-S	12.75	12.75	0.00	11.95	-0.80
SEG-O	104.70	94.70	-10.00	92.45	-2.25
TOTAL	1,202.28	1,195.03	-7.25	1,182.03	-13.00

### AGENCY DESCRIPTION

The department is headed by a secretary who is appointed by the Governor with the advice and consent of the Senate. The department advises the Governor and Legislature on tax policy; administers the state's tax laws, lottery and unclaimed property program; distributes property tax relief and local unrestricted aid payments; and oversees general administration of the property tax system. The department's activities are organized into the following four major program areas:

- The Division of Income, Sales and Excise Tax collects taxes through accepting tax payments and processing tax returns, enforces tax laws and collects taxes through audit and compliance activities, provides taxpayer assistance, conducts criminal investigations, and administers the state's debt collection and unclaimed property program;
- The Division of State and Local Finance administers state policy and programs affecting local government finance and the state's property tax system, including establishing equalized values, supervising general administration of the local property tax and assessing the value of manufacturing property statewide;
- The Lottery Division administers the lottery program that provides funding for the property tax credit; and

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- The administrative services area includes the Secretary's Office, Office of General Counsel, Division of Enterprise Services, Division of Technology Services, and Division of Research and Policy, and provides the Executive Office and Legislature with detailed analyses of revenue and tax policy options.

The tax programs administered by the department provide revenue for the state's general fund and other segregated funds. In addition, programs administered by the department provide revenue to counties and local tax districts. The department also administers the homestead, farmland preservation, earned income and other credits, which are paid to eligible applicants from the general fund.

## MISSION

The department administers Wisconsin's tax system to provide revenue to fund state and local government services.

## PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

Note: Programs, goals, objectives and activities have been modified.

### Program 1: Collection of Taxes

Goal: Ensure accountability through enforcement of tax laws.

Objective/Activity: Delinquent tax collections per fiscal year.

Objective/Activity: Collect debts owed to state agencies, courts, the Legislature, state authorities and local units of government (Statewide Debt Collection Program).

Objective/Activity: Use analytics to detect and prevent fraudulent returns or credits, including corrections to amount claimed for earned income tax and homestead credits.

Objective/Activity: Enforcement cost per dollar collected.

Goal: Promote efficiency and integrity.

Objective/Activity: Growth in individual income, corporate franchise/income, and sales/use tax returns received electronically.

Objective/Activity: Average processing time for tax returns.

Goal: Provide excellent customer service.

Objective/Activity: Average hold time and answer rate for customer service call centers.

Objective/Activity: Department employees are considered professional and knowledgeable by customers.

### Program 2: State and Local Finance

Goal: Ensure equitable tax compliance, collection and property valuation.

Objective/Activity: Increase availability of electronic means of doing business.

### Program 3: Administrative Services and Space Rental

Goal: Maintain a positive work environment.

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Objective/Activity: Percentage of target group members in agency workforce.

### **Program 4: Unclaimed Property Program**

Goal: Promote efficiency and integrity.

Objective/Activity: Process unclaimed property claims within 90-day statutory limit.

### **Program 8: Lottery**

Goal: Achieve the highest possible revenue for property tax relief by offering entertaining and socially responsible games, while ensuring integrity and public trust.

Objective/Activity: Increase the amount available for property tax relief over the prior year.

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**PERFORMANCE MEASURES**

**2015 AND 2016 GOALS AND ACTUALS**

Prog. No.	Performance Measure	Goal 2015	Actual 2015	Goal 2016	Actual 2016
1.	Collection of delinquent taxes.	\$202.6 million	\$219.1 million	\$202.6 million	\$237.3 million
1.	Enforcement cost per dollar impact.	\$.055	\$.0853	\$.055	\$.1007
1.	Percentage of individual income (II) sales tax (ST) and corporate (C) returns received electronically.	87% (II) 95% (ST) 78% (C)	85% (II) 92% (ST) 84% (C)	88% (II) 96% (ST) 80% (C)	85% (II) <sup>1</sup> 94% (ST) 76% (C)
1.	Average processing time for individual income tax returns.	E-filed no further review: 5 days  E-filed further review: 40 days  Paper no further review: 25 days  Paper further review: 45 days	E-filed no further review: 3 days  E-filed further review: 39 days  Paper no further review: 20 days  Paper further review: 34 days	E-filed no further review: 5 days  E-filed further review: 40 days  Paper no further review: 25 days  Paper further review: 45 days	E-filed no further review: 2 days  E-filed further review: 36 days  Paper no further review: 8 days  Paper further review: 34 days
1.	Average hold time/answer rate for customer service call center.	1.5 minute hold time  97.8% answer rate	1.16 minute hold time  99.0% answer rate	1.5 minute hold time  97.8% answer rate	0.92 minute hold time  99.1% answer rate
2.	Percentage of forms and reports received electronically.	95%	95%	95%	95%
3.	Percentage of target group members in agency workforce.	12.5%	12.5%	12.5%	14.8%
4.	Process unclaimed property claims within 90 days.	100%	100%	100%	100%
8.	Percent change in funds distributed for property tax relief from prior year.	1%	-0.8%	1%	-5.1%

Note: Based on fiscal year.

<sup>1</sup>Percentage through September 15, 2016. Extension returns not filed until October 15th.

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**2017, 2018 AND 2019 GOALS**

<b>Prog. No.</b>	<b>Performance Measure<sup>1</sup></b>	<b>Goal 2017<sup>2</sup></b>	<b>Goal 2018</b>	<b>Goal 2019</b>
1.	Collection of delinquent taxes.	\$227 million	\$227 million	\$227 million
1.	Enforcement cost per dollar impact.	\$.095	\$.095	\$.095
1.	Fraudulent returns stopped, incorrect refunds/credits reduced or denied.	\$47.2 million	\$47.2 million	\$47.2 million
1.	Statewide debt collection program.	\$37.39 million	\$37.39 million	\$37.39 million
1.	Percentage of individual income (II) sales tax (ST) and corporate (C) returns received electronically.	87% (II) 95% (ST) 90% (C)	87% (II) 95% (ST) 90% (C)	87% (II) 95% (ST) 90% (C)
1.	Taxpayer survey results.	95% professionalism  95% knowledgeable	95% professionalism  95% knowledgeable	95% professionalism  95% knowledgeable
1.	Average processing time for individual income tax returns.	8 days	8 days	8 days
1.	Average hold time/answer rate for customer service call center.	1.5 minute hold time  97.8% answer rate	1.5 minute hold time  97.8% answer rate	1.5 minute hold time  97.8% answer rate
2.	Percentage of forms and reports received electronically.	95%	95%	95%
3.	Percentage of target group members in agency workforce.	12.5%	12.5%	12.5%
4.	Process unclaimed property claims within 90 days.	100%	100%	100%
8.	Percent change in funds distributed for property tax relief from prior year.	1%	1%	1%

Note: Based on fiscal year.

<sup>1</sup>Performance measures have been added and deleted for the upcoming biennium.

<sup>2</sup>Certain goals for 2017 have been modified.

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# DEPARTMENT OF REVENUE

## GOVERNOR'S BUDGET RECOMMENDATIONS

### RECOMMENDATIONS

1. Individual Income Tax Rate Reductions
2. Sales Tax Holiday
3. Historic Rehabilitation Tax Credit Limitations
4. WEDC Credit Interest Payments and Clawbacks
5. Additional Project Positions – Audit, Compliance and State Debt Collection
6. E-Filing Thresholds, Due Dates and Extensions
7. Tax Refunds Prior to Verifying Data from Employer
8. Agency Debt Collection Agreements
9. Garnishment Fees Paid by Debtors
10. Sunset of Newly Created Tax Expenditures
11. Manufacturing and Agriculture Credit Interaction with Taxes Paid to Other States Credit
12. Federalize Due Dates of Partnership and Corporation Returns
13. Optional Electronic Notifications
14. Internal Revenue Code Update
15. Raising the Occasional Sales Tax Exemption Threshold
16. Net Business Loss Treatment
17. Itemized Deduction Credit Interaction with Federal Alternative Minimum Tax
18. Nonresident Itemized Deduction Credit Correction
19. Ambulatory Surgical Center Assessment
20. Working Families Tax Credit Limitation to Full-Time Wisconsin Residents
21. Local Government Dashboard Project Position
22. Sourcing Rules Clarification
23. Disregarded Entity Collections
24. Penalty for Overcollection of Sales Tax
25. Delay the Effective Date of 2013 Wisconsin Act 229
26. Retailer's Sales of Food Prepared Off-Site
27. Sales Tax Treatment of Lump Sum Contracts
28. Captive Insurance Companies
29. Technical Modification for Capital Gains Exclusion
30. Off-Road Motorcycles
31. Funding for Lottery Product Information
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36. Minor Transfers Between Appropriations
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**Table 1  
Department Budget Summary by Funding Source (in thousands of dollars)**

	ACTUAL FY16	ADJUSTED BASE FY17	AGENCY REQUEST FY18	AGENCY REQUEST FY19	GOVERNOR'S RECOMMENDATION FY18	GOVERNOR'S RECOMMENDATION FY19
GENERAL PURPOSE REVENUE	\$100,286.2	\$110,151.5	\$107,973.1	\$107,567.2	\$108,812.6	\$109,042.3
State Operations	100,286.2	110,151.5	107,973.1	107,567.2	108,812.6	109,042.3
PROGRAM REVENUE (2)	\$14,369.5	\$21,571.2	\$21,414.5	\$21,489.2	\$20,377.7	\$20,580.3
State Operations	14,369.5	21,571.2	21,414.5	21,489.2	20,377.7	20,580.3
SEGREGATED REVENUE (3)	\$84,624.4	\$80,358.8	\$83,567.8	\$83,547.1	\$81,314.0	\$81,579.6
State Operations	84,624.4	80,358.8	83,567.8	83,547.1	81,314.0	81,579.6
TOTALS - ANNUAL	\$199,280.1	\$212,081.5	\$212,955.4	\$212,603.5	\$210,504.3	\$211,202.2
State Operations	199,280.1	212,081.5	212,955.4	212,603.5	210,504.3	211,202.2

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

**Table 2  
Department Position Summary by Funding Source (in FTE positions) (4)**

	ADJUSTED BASE FY17	AGENCY REQUEST FY18	AGENCY REQUEST FY19	GOVERNOR'S RECOMMENDATION FY18	GOVERNOR'S RECOMMENDATION FY19
GENERAL PURPOSE REVENUE	968.53	933.53	933.53	963.28	953.33
PROGRAM REVENUE (2)	129.05	127.05	127.05	137.05	136.25
SEGREGATED REVENUE (3)	104.70	104.70	103.70	94.70	92.45
TOTALS - ANNUAL	1,202.28	1,165.28	1,164.28	1,195.03	1,182.03

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

(4) All positions are State Operations unless otherwise specified

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**Table 3**  
**Department Budget Summary by Program (in thousands of dollars)**

	ACTUAL FY16	ADJUSTED BASE FY17	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY18	FY19	FY18	FY19
1. Collection of Taxes	\$70,598.6	\$79,249.7	\$76,667.9	\$76,249.9	\$77,593.8	\$77,918.4
2. State and Local Finance	\$11,043.5	\$12,991.2	\$12,613.0	\$12,625.8	\$12,412.4	\$12,446.1
3. Administrative Services and Space Rental	\$33,099.0	\$37,786.5	\$38,640.2	\$38,715.0	\$37,984.1	\$38,058.9
4. Unclaimed Property Program	\$2,098.0	\$4,321.2	\$4,094.7	\$4,105.4	\$3,828.2	\$3,838.9
8. Lottery	\$82,441.1	\$77,732.9	\$80,939.6	\$80,907.4	\$78,685.8	\$78,939.9
<b>TOTALS</b>	<b>\$199,280.1</b>	<b>\$212,081.5</b>	<b>\$212,955.4</b>	<b>\$212,603.5</b>	<b>\$210,504.3</b>	<b>\$211,202.2</b>

**Table 4**  
**Department Position Summary by Program (in FTE positions) (4)**

	ADJUSTED BASE FY17	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY18	FY19	FY18	FY19
1. Collection of Taxes	825.03	787.28	787.28	829.53	829.28
2. State and Local Finance	112.00	112.00	112.00	113.00	113.00
3. Administrative Services and Space Rental	177.35	180.10	180.10	174.60	164.10
4. Unclaimed Property Program	5.95	3.95	3.95	5.95	5.95
8. Lottery	81.95	81.95	80.95	71.95	69.70
<b>TOTALS</b>	<b>1,202.28</b>	<b>1,165.28</b>	<b>1,164.28</b>	<b>1,195.03</b>	<b>1,182.03</b>

(4) All positions are State Operations unless otherwise specified

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### 1. Individual Income Tax Rate Reductions

The Governor recommends reducing individual income tax rates for the first two tax brackets, reducing the current 4.0 percent and 5.84 percent rates to 3.9 percent and 5.74 percent, respectively, effective beginning with tax year 2017. The Governor also recommends broadening the second tax bracket by 25 percent, effective beginning with tax year 2017. The fiscal impact is an estimated decrease in tax revenue of \$104.4 million in FY18 and \$99.1 million in FY19.

### 2. Sales Tax Holiday

The Governor recommends a two-day sales tax holiday in August effective for two years for items related to school supplies including clothing, computers and certain supplies to aid Wisconsin families with necessary purchases for the next school year. The fiscal effect of this change is expected to reduce tax revenue by \$11 million annually.

### 3. Historic Rehabilitation Tax Credit Limitations

The Governor recommends limiting annual awards under the historic rehabilitation tax credit to \$10 million. The Governor also recommends that credits be awarded on a competitive basis with several criteria, including job creation potential, used to determine which applicants receive the credit. The Governor further recommends requiring that credits be repaid in proportion to any shortfall in job creation relative to the amounts claimed in the credit application if actual job creation is deficient within the first five years after receiving the credit. In addition, the Governor recommends that if a recipient is required to repay the federal credit, the state supplement to the credit must also be repaid. These changes will first apply in tax year 2017. The estimated fiscal effects of these modifications are revenue increases of \$3 million in FY18 and \$14.1 million in FY19. See Wisconsin Economic Development Corporation, Item #3.

### 4. WEDC Credit Interest Payments and Clawbacks

The Governor recommends eliminating interest paid on refunds generated on Wisconsin Economic Development Corporation tax credit programs when those refunds result from amended returns. This brings the treatment of those credits into alignment with other state tax credits. The Governor also recommends enhancing the ability of the department to clawback Wisconsin Economic Development Corporation tax credits that have been revoked by the corporation. The estimated fiscal effect of these provisions is a tax revenue increase of \$500,000 in each year of the biennium.

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### 5. Additional Project Positions – Audit, Compliance and State Debt Collection

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	1,844,100	38.00	2,458,800	38.00
PR-O	0	0.00	0	0.00	383,600	8.00	511,500	8.00
TOTAL	0	0.00	0	0.00	2,227,700	46.00	2,970,300	46.00

The Governor recommends providing four-year project positions to the department to alleviate an influx in workload in auditing, compliance and state and local government debt collection. These additional positions are expected to collect \$32,000,000 each year in FY18 and FY19 of taxes owed but not yet paid to the state.

### 6. E-Filing Thresholds, Due Dates and Extensions

The Governor recommends modifying electronic filing provisions to enhance fraud identification and prevention and reducing to 10 or more employees the threshold over which an employer is required to submit W-2 forms electronically to the department. The Governor also recommends the alignment of state and federal reporting deadlines. These provisions are estimated to increase tax revenue collections by \$3 million each year in FY18 and FY19.

### 7. Tax Refunds Prior to Verifying Data from Employer

The Governor recommends prohibiting the department from issuing any income tax refund before March 1 unless both the employer and employee have filed all required returns and forms.

### 8. Agency Debt Collection Agreements

The Governor recommends amending the debt agreement statutes to require agencies to enter into collection agreements with the department, unless explicitly exempted by the Department of Administration or the department. This will improve operational efficiency for the collection of debts owed to the state.

### 9. Garnishment Fees Paid by Debtors

The Governor recommends modifying current law to clarify that the debt owed by a debtor is not reduced by the (\$3 per payment) fee retained by a garnishee, but is reduced only by the amount actually received by the creditor. This ensures that the state can collect the full amount it is due. The fiscal effect of this change is expected to increase revenue collections by \$12,100 annually.

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### **10. Sunset of Newly Created Tax Expenditures**

The Governor recommends, for all new income, sales and excise tax credits, deductions or exemptions that take effect after December 31, 2016, that these tax provisions sunset after seven years. The Governor also recommends requiring the department to report to the Legislature about any provision that will soon become subject to the seven-year limit.

### **11. Manufacturing and Agriculture Credit Interaction with Taxes Paid to Other States Credit**

The Governor recommends eliminating an unintended overlap under which businesses can claim the manufacturing and agriculture credit and the taxes paid to other states credit on the same income. This provision is expected to increase tax revenues by \$9,700,000 each year in FY18 and FY19.

### **12. Federalize Due Dates of Partnership and Corporation Returns**

The Governor recommends federalizing the due dates for partnership and corporate tax returns to simplify the tax compliance burden for Wisconsin businesses.

### **13. Optional Electronic Notifications**

The Governor recommends allowing a taxpayer to opt-in to receive all applicable tax notifications electronically instead of through personal service or regular mail.

### **14. Internal Revenue Code Update**

The Governor recommends updating Wisconsin's references to the Internal Revenue Code to reflect numerous provisions enacted over recent years. These provisions will reduce tax revenues by \$600,000 in FY18 and \$800,000 in FY19.

### **15. Raising the Occasional Sales Tax Exemption Threshold**

The Governor recommends increasing the occasional sales tax threshold from \$1,000 to \$2,000 to erase an unnecessary burden on taxpayers. This change is expected to reduce state tax revenue collections by \$169,900 in FY18 and \$162,100 in FY19.

### **16. Net Business Loss Treatment**

The Governor recommends aligning the treatment of the look-back period for credits and net business loss carryforwards to set the net business loss limit to four years, which is the same as the limitation for credits. This proposal is projected to increase tax revenues by \$1 million annually in each year of the biennium.

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**17. Itemized Deduction Credit Interaction with Federal Alternative Minimum Tax**

The Governor recommends clarifying existing statutes to specify when taxpayers calculate the itemized deduction credit, adjustments made under the federal alternative minimum tax do not apply. This provision is estimated to have a minimal fiscal effect.

**18. Nonresident Itemized Deduction Credit Correction**

The Governor recommends modifying an incorrect statutory calculation of the itemized deduction credit for nonresident filers. This provision is estimated to increase tax revenues by \$580,000 in FY18 and \$590,000 in FY19.

**19. Ambulatory Surgical Center Assessment**

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	-104,900	0.00	-104,900	0.00
TOTAL	0	0.00	0	0.00	-104,900	0.00	-104,900	0.00

The Governor recommends eliminating the department's appropriation for administration of the ambulatory surgical center assessment consistent with the Governor's recommendation to terminate the assessment. See Department of Health Services, Item #23.

**20. Working Families Tax Credit Limitation to Full-Time Wisconsin Residents**

The Governor recommends limiting claims under the working families tax credit to full-time Wisconsin residents. The estimated fiscal effect of this provision is a tax revenue gain of \$200,000 in each year of the biennium.

**21. Local Government Dashboard Project Position**

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	62,800	1.00	83,700	1.00
TOTAL	0	0.00	0	0.00	62,800	1.00	83,700	1.00

The Governor recommends adding a four-year project position to enhance the accessibility and utility of local government financial data that will be posted on the department's Web site.

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### **22. Sourcing Rules Clarification**

The Governor recommends modify sourcing rules for services provided to tangible property to specify that income from such services is apportioned only to Wisconsin if the property is delivered directly or indirectly to customers in Wisconsin. This modification codifies the department's existing practices and is not expected to have a fiscal effect.

### **23. Disregarded Entity Collections**

The Governor recommends making several technical changes across tax types, to provide that notice to a disregarded entity or its owner is notice to both, and that both the owner and the disregarded entity are liable for the taxes owed to the state.

### **24. Penalty for Overcollection of Sales Tax**

The Governor recommends imposing the current sales tax refund penalty upon a seller who overcollects sales and use taxes after receiving two written notices when under an audit by the department.

### **25. Delay the Effective Date of 2013 Wisconsin Act 229**

The Governor recommends modifying the effective date of 2013 Wisconsin Act 229 until September 1, 2019. The fiscal effect of this change is expected to increase tax revenue by \$10,151,800 in FY18 and \$10,436,000 in FY19.

### **26. Retailer's Sales of Food Prepared Off-Site**

The Governor recommends a sales and use tax exemption for the sale of prepared food that is made off-site and frozen by the retailer, and then sold frozen by the retailer. The fiscal effect of this change is expected to decrease tax revenue by \$1 million annually.

### **27. Sales Tax Treatment of Lump Sum Contracts**

The Governor recommends expanding the lump sum contract sales tax exemption to all construction contracts involving real property construction activities if the total sales prices of the taxable products are less than 10 percent of the total contract price, and allow the exemption to also apply to all subcontractors of a qualifying general contractor. The fiscal effect of this modification is decrease in tax revenue collections of \$1,250,000 in FY18 and \$1,500,000 in FY19.

### **28. Captive Insurance Companies**

The Governor recommends requiring the income of captive insurance companies to be included in the combined income of the parent company. The fiscal effect of this provision is an estimated tax revenue increase of \$1 million in each year of the biennium.

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**29. Technical Modification for Capital Gains Exclusion**

The Governor recommends modifying the existing capital gains exclusion for investments in qualifying Wisconsin businesses to allow the employees of professional employer organizations, who are functionally employees of an otherwise qualifying business, to count toward the payroll requirement necessary to be considered a qualifying Wisconsin business for purposes of the exclusion.

**30. Off-Road Motorcycles**

The Governor recommends amending provisions regarding off-road motorcycles to ensure that all registered vehicles are subject to the sales and use tax on occasional sales. This change is expected to increase tax revenue by \$215,000 in both FY18 and FY19.

**31. Funding for Lottery Product Information**

The Governor recommends increasing the lottery general program operations appropriation by \$3 million dollars in each year to be spent on current and additional informational activities to maintain and increase overall ticket sales. This will ensure continued property tax relief for Wisconsin homeowners through the lottery and gaming credit.

**32. Lottery Sum Sufficient Adjustments**

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	3,442,700	0.00	3,442,700	0.00	4,587,900	0.00	4,874,200	0.00
TOTAL	3,442,700	0.00	3,442,700	0.00	4,587,900	0.00	4,874,200	0.00

The Governor recommends increasing the lottery sum sufficient appropriations for vendor fees and retailer compensation to reflect lottery sales projections.

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**33. Human Resources Shared Services Program**

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	0	-9.95
PR-S	0	0.00	0	0.00	0	0.00	0	-0.80
SEG-O	0	0.00	0	0.00	0	0.00	0	-1.25
<b>TOTAL</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>-12.00</b>

The Governor recommends creating a human resources shared services program within the Division of Personnel Management at the Department of Administration to consolidate human resources, payroll and benefits functions of most executive branch agencies. Agency staff related to these functions will become Department of Administration employees beginning on July 1, 2018. However, vacant positions will be reallocated from select agencies in FY18 to begin the transition toward a shared services model. See Department of Administration, Item #4.

**34. State Operations Adjustments**

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-1,067,400	-9.25	-1,067,400	-9.25
PR-O	0	0.00	0	0.00	-813,100	0.00	-813,100	0.00
PR-S	0	0.00	0	0.00	-592,700	0.00	-592,700	0.00
SEG-O	0	0.00	0	0.00	-3,399,000	-10.00	-3,399,000	-10.00
<b>TOTAL</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>-5,872,200</b>	<b>-19.25</b>	<b>-5,872,200</b>	<b>-19.25</b>

The Governor recommends reducing various appropriations in conjunction with a reduction of 19.25 FTE positions annually to reflect improved department efficiencies.

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Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-S	0	0.00	0	0.00	90,300	2.00	90,300	2.00
TOTAL	0	0.00	0	0.00	90,300	2.00	90,300	2.00

The Governor recommends extending the 2.0 FTE permanent project positions in the Unclaimed Property Program to June 30, 2019.

**36. Minor Transfers Between Appropriations**

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	140,900	0.00	130,700	0.00	140,900	0.00	130,700	0.00
PR-S	-161,900	0.00	-151,700	0.00	-161,900	0.00	-151,700	0.00
SEG-O	21,000	0.00	21,000	0.00	21,000	0.00	21,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends making minor transfers between appropriations to align department resources with the correct appropriations.

**Revenue**

**37. Standard Budget Adjustments**

Source of Funds	Agency Request				Governor's Recommendations			
	FY18		FY19		FY18		FY19	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-2,178,400	-35.00	-2,584,300	-35.00	-2,178,400	-35.00	-2,584,300	-35.00
PR-O	-147,000	0.00	-74,700	0.00	-147,000	0.00	-74,700	0.00
PR-S	11,300	-2.00	13,700	-2.00	11,300	-2.00	13,700	-2.00
SEG-O	-254,700	0.00	-275,400	-1.00	-254,700	0.00	-275,400	-1.00
<b>TOTAL</b>	<b>-2,568,800</b>	<b>-37.00</b>	<b>-2,920,700</b>	<b>-38.00</b>	<b>-2,568,800</b>	<b>-37.00</b>	<b>-2,920,700</b>	<b>-38.00</b>

The Governor recommends adjusting the department's base budget for: (a) turnover reduction (-\$1,770,800 in each year); (b) removal of noncontinuing elements from the base (-\$1,833,600 and -37.0 FTE positions in FY18 and -\$2,403,900 and -38.0 FTE positions in FY19); (c) full funding of continuing position salaries and fringe benefits (\$891,900 in each year); (d) reclassifications and semiautomatic pay progression (\$58,900 in FY18 and \$133,500 in FY19); and (e) full funding of lease and directed moves costs (\$84,800 in FY18 and \$228,600 in FY19).

## Revenue