

**INTERNATIONAL FUEL TAX ASSOCIATION  
DISPUTE RESOLUTION COMMITTEE**

<b>PROGRAM COMPLIANCE REVIEW COMMITTEE</b>	)	
	)	
<b>VS.</b>	)	<b>DRC 2025-0001</b>
	)	
<b>THE STATE OF KANSAS</b>	)	

**RATIONALE FOR THE DECISION**

**Introduction**

On August 21, 2025, the Dispute Resolution Committee (DRC, the Committee) of the International Fuel Tax Agreement (IFTA) convened in Salt Lake City, Utah, for a hearing concerning the Final Determination Finding of Noncompliance (FDFNC) issued by the Program Compliance Review Committee (PCRC) on March 6, 2025, against the State of Kansas (Respondent). In its FDFNC the PCRC concluded that the Respondent violated Section A250 of the IFTA Audit Manual in both the 2015-2019 and 2020-2024 Program Compliance Review cycles by failing to perform their required number of audits during those years. The FDFNC further stated that Respondent violated Section A260 of the IFTA Audit Manual by failing to meet the 25% high distance audit requirement during the 2020-2024 Program Compliance Review cycle.

The Respondent did not dispute the FDFNC in its filings with the DRC or in its testimony presented at the Committee’s meeting. Accordingly, at the hearing the DRC, by majority vote, adopted a Proposed Order giving the Respondent until December 31, 2026, to bring its program into compliance, with progressively more stringent sanctions for continuing noncompliance beyond that date. The Proposed Order was adopted by the DRC in open session following the hearing on a 7-1 vote as its Final Order.

This rationale elaborates on the DRC’s decision in the Final Order, providing a clear and comprehensive explanation of the Committee’s findings and conclusions.

**Summary of Evidence**

The DRC reviewed all evidence presented during the hearing. The Respondent did not contest the PCRC’s determination that it had failed to perform the required number of audits and to meet the 25% high distance audit requirement. Specifically:

- For the 2015-2019 PCRC Review cycle, the Respondent was required to perform 514 audits but completed 492, leaving a deficit of 22 audits.

- For the 2020- 2024 PCRC Review cycle, the Respondent was required to perform an additional 22 audits during this review cycle since they did not meet their 3% audit requirement from the previous review cycle. Kansas elected to exclude 2020 audits in the current review cycle. The Respondent was required to complete 472 audits but completed 374, leaving a deficit of 98 audits.
- For the 2020-2024 PCRC cycle, the Respondent was required to complete 119 high distance audits but completed only 117, falling short by 2 audits.

### **Discussion of Circumstances**

The DRC considered both aggravating and mitigating circumstances. The Committee acknowledged the Respondent's challenges in meeting its audit requirements. As the Respondent noted in its filings with the DRC and in its testimony at the hearing, these challenges included COVID disruptions, implementation of new systems, staffing shortages, and increases in the number of licensees. Nevertheless, the Respondent's failure to meet audit requirements over two consecutive audit cycles and the shortfall in high distance audits were viewed as serious violations. The prolonged non-compliance and the substantial, continuing, and growing shortfall in audits indicated a systemic issue that needed to be addressed.

### **Legal and Regulatory Considerations**

The DRC's jurisdiction over this matter is proper under R1555 of the IFTA Articles of Agreement. Notice of the proceeding was proper, and the submissions necessary for hearing the dispute were complete. The PCRC met its burden of proof, establishing probable cause to believe that the Respondent violated Sections A250 and A260 of the IFTA Audit Manual.

### **Conclusion**

The Respondent's noncompliance over a 10-year period and the shortfall of 120 total audits constitute repeated and prolonged non-compliance. The DRC concluded that remedies against the Respondent are warranted to deter similar behavior in the future and ensure compliance with IFTA. The DRC's decision in its Final Order is based on a thorough review of the evidence, consideration of mitigating circumstances, and alignment with the IFTA Articles of Agreement and Audit Manual. The actions taken were necessary to promote fairness and to prevent jurisdictions from concluding that noncompliance with the Agreement is an option.

**Issued this fifth day of September 2025, by:**

TOM MCDANIEL, Chair  
Dispute Resolution Committee