

SENATE WAYS & MEANS COMMITTEE
Minutes of Meeting
February 20, 1961

Meeting was called to order at 10:00 by the Chairman, Senator Mauterbach, with all members present.

Mr. Harry Wiles, Chairman, and Mr. Raymond Harvey, Secretary, Kansas Corporation Commission appeared before the committee for hearing.

Senator Hults went over the subcommittee's report, and Mr. Wiles and Mr. Harvey stated they had nothing to add other than the recommendations in the report, copy of which is attached hereto.

Mr. F. A. Palmer, Director, Mr. John Rook, and Mr. Francis R. Roberts, appeared before the committee in behalf of the Property Valuation Department. They stated they were satisfied with the budget as recommended by the governor. Senator Hults gave an oral report on the findings of the subcommittee, but submitted no written report.

Mr. Jean C. Evans, Secretary, Board of Tax Appeals, appeared for this agency. He stated they sought no changes and were satisfied with the recommendation by the governor. Senator Hults stated that the subcommittee found there should be some increase in the budget for part time employees for the summer months when the work load is increased.

Senator Smith asked if the members of this board are paid per diem for study at home in reviewing cases. Mr. Evans stated that this had been the policy.

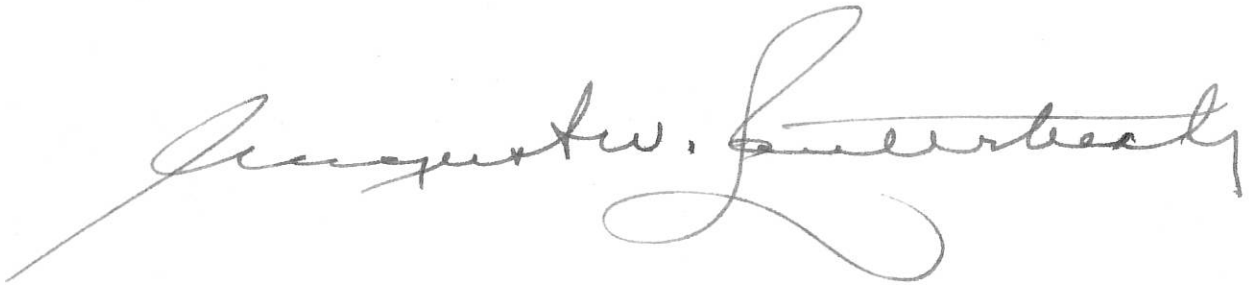
Mr. Richard T. Fadely, Director, Mr. Jones and Mr. Welch of the Department of Revenue appeared before the committee. They stated they were satisfied with the recommendations of the governor for fiscal year 1962.

In their budget request they had asked for \$21,633 for their share of grading and surfacing drives so the calibrating station could be moved from its present location at Merriam to a site near the Kansas Turnpike on Highway #10. This would be a convenience for the public - and they were not pressing the point at this time. They also stated this did not involve the purchase or condemnation of any land, since the land is on the present Highway Right of Way.

February 20, 1961

Mr. Roger A. Campbell, Superintendent, Port of Entry Board, appeared before the committee. Mr. Campbell stated they had an item of \$26,000 to pay the Turnpike Authority for Port of Entry buildings at the north and south ends of the Turnpike. However, this had been deleted by the Governor. Also, he asked for an increase of \$40,000 for salaries and wages so the employees of this board could receive their normal longevity increases.

Meeting adjourned 11:15 A.M.

A large, cursive handwritten signature in black ink, which reads "August W. Lauterbach". The signature is written in a fluid, connected style with a prominent loop at the end.

August W. Lauterbach, Chairman,
Senate Committee on Ways & Means.

CORPORATION COMMISSION

Sub-Committee Report on 1962
Fiscal Requests

Your Sub-Committee advises that the Governor's Recommendations as shown in the Budget are in accordance with your Sub-Committee's Recommendations with the exception of the request for the N.G.C.F. On Page 44 of the detailed Budget an item of approximately \$15,000 for technical advice in connection with the development of new fields and the further development of old fields was stricken from the agency request. The agency has suggested that \$10,000 of this money be replaced in the agency's fund for the purpose of hiring technical assistants necessary to the proper development of our natural gas and oil fields. The Sub-Committee feels that the inclusion of this \$10,000 request is proper and recommends such restoration.

Your Sub-Committee reviewed the salaries of the Commission and found that seven of the employees of the Commission receive more salary than is actually paid to the Commission members.

Your Sub-Committee further points out that the theory for the present payment of salaries to the Commission members was the fact that in the past the Commission was operating as a part time Commission. At present with the work currently before the Commission it is necessary to give practically full time to the duties of the Commission.

Your Sub-Committee points out that when Robert Wilson

resigned as general counsel to fill the unexpired term of Marion Beatty, he took a reduction in salary from \$9,300 to \$8,500.

The Committee further points out that the secretary to the Commission receives \$9,000 per year which is equal to the chairman of the Commission and \$500 per year more than the other two commissioners.

While we realize that this is probably not a matter for Ways and Means' consideration at this time, your Sub-Committee recommends that provision be made in other laws for the increase in the salary of the Corporation Commission members and that if such law should pass, the probability would exist that in the 1962 Budget Session an appropriation could be necessary to meet such additional demands on the Corporation Commission.

DEPARTMENT OF REVENUE

**ANALYSIS OF CHANGE IN THE BUDGET FROM FISCAL YEAR 1961
APPROPRIATIONS TO 1962 REQUEST AS RECOMMENDED BY THE
GOVERNOR**

February 7, 1961

Expenditures for 1961 are estimated at \$2,955,114. The request as recommended by the Governor is for \$3,132,170, an increase of \$181,056. Of the increase \$85,931 is for salaries and wages and \$95,125 for other operating expenses.

The salary and wage increase represents the regular earned salary increases and reclassifications in the amount of \$97,986. This represents an increase of 4.49%. P.I.C.A. increases over 1961 amount to \$2,012. This total is reduced by a reduction in personnel of three positions representing \$11,292, and an increase allowance for turn-over of \$2,775.

The increase in other operating expenses in the amount of \$95,125 is virtually all represented in the expense of installing new electronic data processing equipment in the Tabulating Division. The addition and cost for installing this equipment is \$93,267 of which \$43,900 is represented as one-time charges for installation expenses and equipment.

In addition the Department has been replacing fifteen cars each year. The Department owns and operates forty passenger cars and in order to maintain a schedule of replacing half the cars each year it is necessary to replace twenty cars each budget year; therefore an additional \$10,000 is included in capital outlay for passenger cars.

Also included in capital outlay is an item of \$3,500 for a microfilm camera which is to be purchased by the Department of Revenue and operated for the use of the Secretary of State in microfilming his records. This machine will be maintained by the Department but used almost exclusively by the Secretary of State.

Therefore, had it not been for the normal salary increases, the installation of the new equipment, and the additional capital outlay, the 1962 budget would have shown a slight reduction from the 1961 appropriations.

The above analysis does not include a supplemental request for 1961 for capital improvements in the amount of \$21,633. This pertains to the relocation of a calibrating station and will be discussed later in this report.

The above-mentioned increase for the installation of new equipment is for expanding the machine data processing program by substituting new, high speed equipment using magnetic tape for the present machines, which are no longer adequate for the needs of the department. All of the equipment involved will be leased, as is the case with the present equipment. Installation of the proposed equipment would speed up greatly the processing of tax returns filed with the department. For example, the process of matching information returns with tax returns, mentioned above, now requires four weeks of time to complete. With the proposed equipment, the work can be done in five days. The new machines will allow a more comprehensive program of auditing and enforcement since their capacities are sufficiently large and flexible to allow matching of many items of information at the same time, and, with a pre-determined tolerance factor, will select the questionable returns. The returns so selected would then be given a detailed examination by the auditing staff. Experience has shown that between ninety and ninety-five per cent of the tax returns require little or no adjustment. With the use of the proposed equipment the auditing staff could devote its time to actual auditing the relatively small percentage of questioned returns, instead of spending most of its time searching for them. The Internal Revenue Service is converting to this type of equipment which would allow interchange of information between that agency and this department simply by exchanging rolls of magnetic tape. Without this equipment, the procedure would be cumbersome and would cost an estimated \$115,000 annually. The use of magnetic tape will allow also a substantial saving of funds for filing cabinets for punch cards and in floor space. The department now is processing annually fourteen to sixteen million punch cards.

The attached schedule shows a summary analysis of budget increases from 1951 to 1962.

SUPPLEMENTAL REQUEST

CAPITAL IMPROVEMENT FOR 1961

The Department of Revenue has a calibrating station located on Hwy. K10 in Merriam, Kansas. The calibrating station is for the purpose of marking liquid fuel carrier tanks to show the amount of motor fuel carried in the tank. The calibrating process includes placing in the tanks a specified amount of liquid fuel and then marking on the tanks the amount of fuel at that level. In other words, the tanks are marked in much the same way as a measuring cup found in a household kitchen. Also in the same location as the calibrating station was a highway department weight station. Due to the relocation of highways in the Kansas City area virtually all of the truck traffic takes routes away from the present calibrating station. A location has been chosen at a point on Hwy. K32 just south of the turnpike and east of the east toll gate where a combination weight station, port of entry building, and calibrating station is being prepared. The highway department has provided the ground and equipment and paving of driveways at this location at a total cost of \$108,163. Of this cost 40% is to be paid by the Port of Entry Board, 40% assumed by the Highway Department, and 20% by the Department of Revenue. The 20% amounts to \$21,633 for which the supplemental request is made.

DEPARTMENT OF REVENUE

SUMMARY ANALYSIS OF INCREASE IN BUDGET FROM 1961 TO 1962

	<u>1961</u>	<u>1962</u>	<u>Increase</u>
Salaries and Wages	\$2,180,940	\$2,266,871	\$ 85,931
Other Operating Expenditures	<u>774,174</u>	<u>869,299</u>	<u>95,125</u>
Total	\$2,955,114	\$3,136,170	\$181,056

Explanation of Salaries & Wages Increase:

Earned Salary Increases (4.49% average) \$ 97,986

F.I.C.A. Increases 2,012

99,998

Less:

Reduction in personnel - 3 positions \$ 11,292

Increased Allowance for Turnover 2,775 14,067

\$ 85,931

Other Operating Expenditures:

Contractual Service \$ 580,632 \$ 629,567 \$ 48,935

Commodities 150,800 182,780 31,980

Capital Outlay 62,742 56,952 14,210

Totals \$ 774,174 \$ 869,299 \$ 95,125

Cost of installing and maintaining new type of electronic data processing equipment in tabulating division (budgeted as other operating expense):

One-time or non-repetitive charges:

Air conditioning equipment and installation	\$ 2,500
Constructing room for equipment and ramp to cover electrical cables	2,500
Relocation of electrical outlets	1,400
Electronic tapes, extra spools and labels	33,000
Capital Outlay	
Tape File Storage	1,500
Continuous Form Burstar	<u>3,000</u>
Total one-time charges	\$43,900
Additional rent on equipment for 1962	<u>49,300</u>
Total included in budget for new system	\$93,200

Note: For subsequent years the cost for this equipment is estimated at \$74,000 above the cost for 1961.

SUB-COMMITTEE REPORT

BOARD OF TAX APPEALS - Page 153

Your Sub-Committee recommends that the Governor's recommendation set forth in the Budget be approved.

A handwritten signature in blue ink, appearing to read "W. C. Farmer".

William C. Farmer

SUB-COMMITTEE REPORT

PROPERTY EVALUATION DEPARTMENT

Page 155

Your Sub-Committee recommends that the Governor's recommendation contained in the Budget be approved.

Specific attention is called to the item of "real estate manual revolving fund" with the recommendation that the unexpended balances in the fund at the close of Fiscal 1961 be reappropriated.

Your Sub-Committee also has called to the attention of the Committee and the agency has agreed that the \$20,000.00 previously appropriated for this purpose should constitute the only expenditures given to the agency for this purpose.



William C. Farmer

SUB-COMMITTEE REPORT

PORT OF ENTRY BOARD - Page 160

Your Sub-Committee recommends that the appropriation recommended by the Governor as contained in the Budget be approved with the exception of the fact that your Sub-Committee calls to your attention that the Port of Entry and the Turnpike Authority apparently entered into an agreement whereby the Port of Entry agreed to reimburse the Turnpike Authority in the amount of \$26,185.00, for a turnpike building constructed at the south end of the turnpike and for paving approaches to that building and to the building erected by the Port of Entry at the east end of the turnpike.

This item was stricken from the Governor's Budget and from Governor Docking's Budget in 1960. The moral obligation of the state to live up to its contracts is specifically called to the Committee's attention.

William C. Farmer

D. L. Huts