

SENATE WAYS AND MEANS COMMITTEE

Minutes of the Meeting
January 22, 1964

The meeting was called to order at 10:00 a.m. by Chairman Smith on January 22, 1964. All members were present with the exception of Senator Jones. Also present were Senators Hodge, Strahan, Bowers, Murray and Ball, and Wunsch and Harbaugh.

Mr. Nova Stucker, Acting Superintendent of the Reception and Diagnostic Center, Dr. Karl Targownik, Clinical Director, and Joseph Schletzbaum, Business Manager appeared before the committee in reference to the budget requests of the agency. Mr. Stucker requested restoration of the following items:

1. One Psychiatric Social Worker II at \$6366.
2. Standby fuel to enable agency to receive lower rate from Gas Company. (from 52¢ to 36½¢) Total cost about \$7,000.
3. \$400 for electric typewriter. It was felt this was an oversight as new position, chair and desk were provided, but no typewriter.

(For additional supporting information see Att. 1.)

Superintendent John Munns and Mr. Dean Smith, Chief Clerk of the Industrial Reformatory appeared before the committee in reference to the budget request for that agency. Mr. Smith requested the following items to be restored:

1. One Account Clerk II for increased inmate load at \$3282. A Farm and Dairy Manager whocould give vocational instruction at \$5634.
2. 12 new positions at \$43,416 in order to go to forty-hour work week.
- 3/ \$125,000 for first of three phases of \$325,000 locking device. \$108,000 to construct a new Adjustment Building.

A discussion was held with Mr. Kaiser on where prison site should be to use the 1.5 million dollars recommended by the Governor for a new facility. Mr. Kaiser indicated he felt this was a decision of elected officials. His committee had recommended five sites and he would be glad to make this information available as to basis for decision on these sites out of original 30. The facility to be located at Parsons is considered to be temporary to take care of immediate overcrowding situation as it would take several years to complete the new facility. The Governor recommended the new facility be built at Lansing.

Senator Smith raised the question of constitutionality of a budget session of the Legislature determining the site for a new prison. This in turn brought up question whether money could be appropriated and plans drawn without first knowing site.

In the afternoon session, Messrs. Wayne McCoy, Director, James Pritchard, Assistant Director, Ray Dalquest and Don Hickey appeared before the committee relative to the budget request of the Department of Revenue.

Mr. Pritchard requested restoration of some 19 new (or reclassified) positions at a total of \$76,229, contractual services at \$37,360, and commodities at \$500, and capital outlay at \$6,580 for a total of \$120,669. These are detailed in Attachment 2.

He also requested authority to rent a larger model computer which would cost \$32,308 in machine rental. If the larger model is not approved, they estimate will cost \$120,000 to go to third shift operation with present machine to handle expanding programs.

A brief discussion was held concerning proposed withholding system for state income tax.

Senator Hults presented the subcommittee report for the State Board of Tax Appeals. He noted that due to the new tax equalization law if there were very many appeals, they might need a deficiency appropriation next session. He moved the adoption of the report and Senator Farmer seconded the motion that a bill be drafted in the amount recommended by the Governor of \$74,007 for the BOARD OF TAX APPEALS. (See Att 3.) The motion was carried.

Senator Hults presented the subcommittee report for the State Corporation Commission. He moved the adoption of the report and that a bill be drafted in the amount of \$1,404,474. Senator Farmer seconded the motion. (See Att. 4) The motion carried.

Senator Ward presented the subcommittee report on the Kansas Public Employees Retirement System which recommended that it be approved as recommended by the Governor and that a bill be drafted in the amount of \$1,182,021. Senator Saar seconded the motion. The motion was carried.

Senator Ward indicated he was interested in obtaining supplemental information on how many other states invested their funds in what percentage in stocks, bonds and Government securities.

The meeting was adjourned at 4:00 p.m.



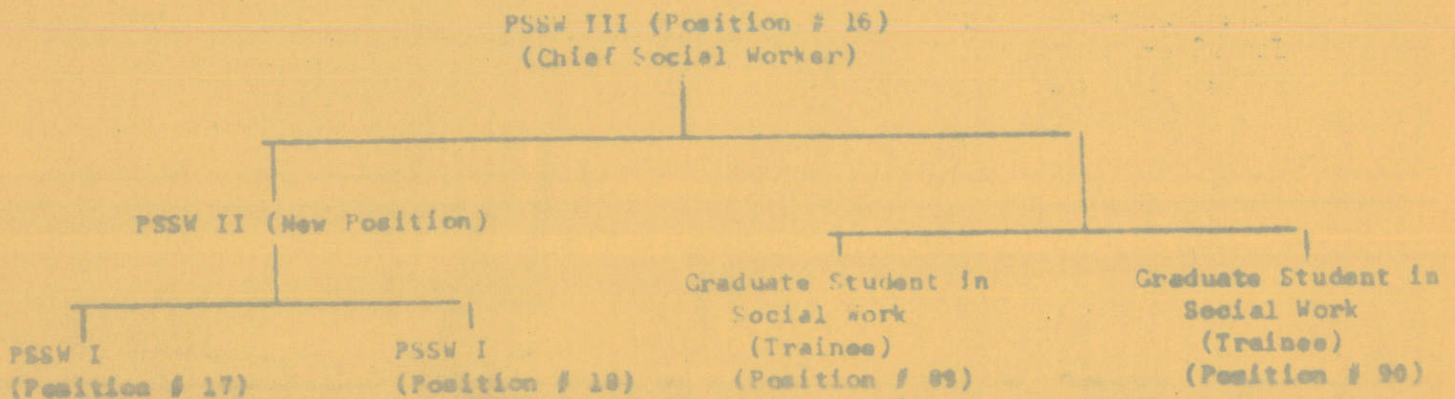
Glee S. Smith, Chairman
Senate Ways and Means Committee

KANSAS STATE RECEPTION AND DIAGNOSTIC CENTER

Addendum to Discussion of the Need of a Psychiatric Social Service Worker II for the Fiscal Year 1965.

On page 46 of the original budget request, the chapter "Social Work Services" provides the basic justification as to why a new position of Psychiatric Social Service Worker II is needed. Upon the request of the Superintendent, I am submitting the following additional thoughts about this position.

At the time when the budget was submitted we anticipated four teams. A team is composed of a staff psychiatrist, social worker and psychologist and assigned correctional staff. At the time of rewriting the justification of the new position we are not only anticipating but by February 1, 1964, we will be operating with four psychiatric teams headed by senior psychiatrists. In order to accomplish our work on a team level, which has proven to be the most economical in time and the most accepted way of psychiatric functioning, we need an additional social worker position. This need was recognized by all levels of budget proceedings. In addition to the senior social worker (Chief Social Worker), the Social Worker II would have supervision as outlined on the table of organization below. In the very end it is important to emphasize that it is much easier to staff a department when intermediate positions are available between the highest and lowest positions. It allows a flexibility of advancement for staff.



Kurt Tynah M.D.

Page 54 -- Restoring the \$400. for an electric typewriter is requested inasmuch as the position, for Clerk-Steno II, has been approved and a typist chair and secretarial desk provided. We feel the omission of the typewriter was an oversight.

Page 79 -- In the interest of a more efficient operation, providing standby fuel for the gas boiler in our main warehouse building, is considered urgent for two specific reasons:

First, without a standby fuel our gas rate is billed at the residential rate of approximately .52¢, per 1000 cubic feet. Installation of a standby conversion oil burner would qualify for the industrial rate of approximately .36¢, per cubic foot. Based on our gas consumption this expense would pay for itself in 4 or 5 years.

Secondly, in the event of a gas failure, 120 cold inmates without heat could do a vast amount of damage to state property and from a security risk presents a very dangerous situation.

STATE OF KANSAS
DEPARTMENT OF REVENUE

To: Chairman, Vice-Chairman and Members of the Senate Ways and Means Committee

Subject: Request for restoration of funds to cover essential expenditures for salaries and wages, and other operating expenditures deleted from our fiscal year 1965 budget request.

We respectfully request your consideration in restoring the following:

Activity No. 1 - General Administration

Salaries and Wages

It is respectfully requested that the Clerk II position, which was reduced to a half-time position, be restored to full time. This position is presently filled. The duties involved in this position are divided in two broad categories. (1) It is the responsibility of this Clerk II to maintain the law library for this agency. This involves a considerable amount of filing daily to keep the loose-leaf services to which the Department of Revenue subscribes in a current state. This person is also required to provide legal research for the attorneys assigned to the agency. (2) The second major responsibility of this position is to assist the attorney with the prime responsibility of collection of delinquent income tax accounts. This duty requires that a person be able to trace the activities in a particular account from the time the liability was established until it reaches the hands of the legal section for action. As a result of increased activity in the legal section of the Income Tax Division, the total collections of delinquent accounts for the past ten months; that is, until November 1, 1963, \$787,054.57. This figure should be compared to the total collections for 1962 which amounted to \$713,745.06. The number of garnishments filed has tripled from 104 a year ago to 318 for the present year. To deny this full-time position would require the curtailment of certain functions which are essential to the successful operation of this delinquency collection activity.

Other Contractual Services

An increase is requested in other contractual services which is to be used primarily for object code dues, memberships and subscriptions. The \$245.00 reduction for this object is to be used for periodical services so that our Law Library may be kept current at all times. Certain volumes used frequently by the legal staff when not kept current are consequently of no value. These volumes must be kept on a current basis so long as there is any use for them.

Another factor to be considered is that since our Budget was submitted we have learned that our annual dues to the Federation of Tax Administrators has been increased by \$200.

Activity No. 2 - Service Divisions

Salaries and Wages

We are requesting that the salary be reinstated for one Calculating Machine Operator I position. This position is presently filled. Two machine operators are working eight hours daily in computing or verifying the following sales and use tax documents:

- (a) The reverse side of 49,000 sales tax returns.
- (b) Field service audits and field assessments received from 35 tax examiners who are in the field.
- (c) 3,500 auto dealers' monthly schedules.
- (d) 600 vending machine monthly schedules.
- (e) 3,500 quarterly sales tax returns.
- (f) 550 consolidated retailers' monthly schedules. The gross on these schedules is prorated to a county distribution.
- (g) The reverse side of 3,000 use tax returns.
- (h) Some computation must be made on 3,500 compensating retailers' returns.
- (i) Some computation is necessary on 1,200 liquor enforcement returns.
- (j) 800 city utilities reporting schedules.
- (k) There are approximately 10,000 irregular returns which must be verified as to the correct addition, subtraction, or multiplication of the returns.

The above mentioned documents are handled by the machine operators on a monthly basis.

We request the restoration of funds for one Clerk I position. This position is presently filled. Due to increases each year in collections by the Department, the division is required to process more returns, more remittances, require the listing of more items for deposit with the State Treasurer which now exceeds four million items each year; therefore, due to the ever increasing number of returns received each year it will be necessary to increase the personnel by one Clerk I position.

We request the restoration of funds in the amount of \$3,390.00 for Seasonal Employees inasmuch as our actual expenditures for fiscal year 1963 were \$26,389.00 and our actual expenditures for fiscal year 1962 were \$25,913.00. This cut of \$3,390.00 is \$1,913.00 less than our actual expenditures for 1962. A review of the past experience discloses the amount of the actual expenditures for these employees has been increasing at the rate of four to five hundred dollars per year. This is due to some salary increases by largely due to the ever increasing number of returns and remittances received each year.

Activity No. 3 - Sales and Compensating Tax Division

Salaries and Wages

Request for two Accountant I positions be restored to be used in the newly created Sales Tax Refund Audit Section. This section comes about mainly because of recent legislation for refunds of sales tax paid by exempt institutions that qualify for the refund under Section 79-3609 (a).

These employees would:

- (a) Assist in field audits for exempt institutions that request a refund of sales or use tax.
- (b) Compare the gross sales of the taxpayer's sales tax returns against taxpayer's income tax returns.
- (c) Work with the Tax Examiners who are in the Field Service Division in connection with field audits.

- (d) Assist in supervising the work of office auditors in connection with Sales Tax returns.

In regard to item (b) above, this work was done on a small scale in 1959 and 1960 and a number of discrepancies were found on sales tax returns and a number of sales tax assessments were made including one of \$30,619.23 made against a Self Service Grocery.

The following nine states place considerable emphasis on checking income tax returns in conjunction with sales tax returns: Georgia, Maryland, Michigan, Missouri, North Carolina, North Dakota, Oklahoma, Rhode Island, and West Virginia. Most of these states report that they find a tendency to understate gross sales on sales tax returns to a greater extent than on income tax returns and that for this reason alone, a check is worthwhile.

There are approximately fifty thousand registered sales tax accounts reporting the payment of sales tax to this Division on a monthly basis.

A Clerk Stenographer I position will be needed on a full time basis in the newly created Sales Tax Refund Audit Section. It will be necessary that at least one Clerk Stenographer I be assigned to this section to handle the letters, reports and other documents that must be processed.

We are requesting that the salary be restored for one Clerk Typist II which is presently filled due to the reclassification of a Clerk II and Clerk-Typist I to Clerk-Typist II our number of Clerk-Typist II's have been increased from 3 to 5. In the meantime, our request for Clerk II's have been reduced from 20 to 19, and our request for Clerk-Typist I's have been reduced from 4 to 3 due to these reclassifications.

Capital Outlay

Our original request asked for two steel flat top desks. We are asking that the appropriation for these desks be restored as they will be needed for the two Accountant positions requested in the newly created Sales Tax Refund Audit Section.

We are also requesting that appropriation for one typewriter desk be restored for use by Stenographer I position requested in the newly created Sales Tax Refund Audit Section.

Activity No. 5 - Cigarette and Cereal Malt Beverage Tax Division

Salaries and Wages

It is essential that the Accountant I position which was deleted be retained and filled due to the fact that the present Chief does not intend to travel as his predecessor did in the enforcement of Cereal Malt Beverage laws.

As Chief, his duties as an administrator will not permit him to assume field duties; therefore, it is imperative that we have an enforcement man to assume responsibility for this phase of the work.

At the present time, we have three Tax Examiners, whose field time duties are cigarette inventories and audits. They do not have the time for cereal malt beverage or vending machine inspections and enforcement.

This office receives monthly 145 cigarette wholesaler reports, together with 105 cereal malt beverage reports, which often require field analysis. We are unable to maintain this phase of the work with the field personnel we have at this time.

The position of Clerk-Typist I which was deleted is now filled and due to the increased work load and the amount of work done by this employee at this time, it would be impossible for the remaining personnel to absorb this additional load. The work load caused by the inroad of cigarette syndicates into Kansas, which particularly involves a cross reference file of vending machine locations, is increasing daily (approximately 12,000 vending machines are now operating in Kansas, as compared to 10,295 a year ago).

The schedule below shows the personnel before and after the consolidation of the Cereal Malt Beverage Division with the Cigarette Tax Division, and it will be noted that with the foregoing requests for the restoration for positions, it is still less in number than when the Divisions were operating separately.

ORIGINAL CIGARETTE DIVISION

Account-Clerk II	2
Clerk I	1
Clerk-Steno II	1
Executive III	1
Tax Examiner	4
Total	<u>9</u>

ORIGINAL CEREAL MALT BEVERAGE DIVISION

Executive III	1
Accountant I	1
Clerk-Steno II	1
Secretary-Steno	1
Account-Clerk II	1
Total	<u>5</u>

COMBINATION OF CIGARETTE AND CEREAL MALT BEVERAGE DIVISION

Clerk-Typist I	2
Account-Clerk II	3
Secretary-Steno I	1
Clerk II	1
Clerk-Steno II	1
Executive III	1
Accountant I	1
Tax Examiner	3
Total	<u>13</u>

Stationery and Office Supplies

We are asking that the reduction of \$500.00 for stationery and office supplies be restored because:

A complete supply of printed envelopes for the ensuing two years must be purchased;

The current stock of Cigarette Law and Regulations is depleted and must be reprinted - this requires metal plates as well as paper stock, printing and labor;

A cross reference file for over 12,000 vending machine locations must be maintained, requiring forms and a constant replacement of file cards;

Over 20,000 cigarette license applications, IBM file cards and licenses for the various cigarette categories are printed annually by the State Printer.

Activity No. 7 - Income Tax

Salaries and Wages

It is requested that one Clerk II position be restored. This position is in our File Room Section. Seven years ago this section was comprised of seven positions with 45,000 returns less than at present when the positions are five in number. Five employees cannot handle the work and when the back log regularly occurs it is necessary for us to assign temporarily tax examiners, and accountants to do this clerical work. Such procedure is wasteful, inefficient and costly. Our better and more capable people use this as a stop-gap and then leave. If we were allowed the Clerk II position we could hold one of these more responsible employees we have from time to time and he would be capable later of assuming the Supervisor's position. This is a key Section and the present Supervisor is past retirement age.

It is requested that three Tax Examiner positions be restored. On September 1 these three positions were filled and at present one and one-half of the positions are filled.

These three positions are in our delinquent control section which assesses tax from employers' Information Returns when these taxpayers have not filed returns after having been requested to do so.

In 1963 this section of fifteen Tax Examiners assessed tax of \$1,030,286.00 or \$69,000 tax per Examiner with a salary expense of \$3,800.00 per Examiner. If these three positions are eliminated it will have only one result - a decrease in revenues from \$1,030,286.00 to \$823,286.00 or a drop of \$207,000.00 per year.

The following should also be considered. The Information Returns received are increasing each year and the 1963 number of 812,000 is an increase of 8.7% over the number in 1961. Revenues should increase accordingly but have not because our personnel has remained at the same number. With the increase in returns our revenues for 1963 should have been \$90,000 greater.

Furthermore with all positions filled we would still lose appreciable revenue available as has previously been explained. Because of our limited personnel we are processing Information Returns of \$2,000.00 or more only and disregarding entirely those from \$600.00 to \$2,000.00. A test check has shown that if we were able to process Information Returns of \$600.00 to \$2,000.00 the tax per return will average \$14.00 on 20,000 to 30,000 returns now disregarded.

Capital Outlay

60" Steel Executive Desks
 16 Requested
 16 Disallowed
4 For Reconsideration \$600.00

Two of our desks were transferred to the Special Enforcement Section of the Department of Revenue. We urgently need these replacements.

Two additional desks are needed in our bookkeeping to replace wooden tables. These tables provide no storage space for supplies, and work to be processed.

Swivel Chairs with Arms
 2 Requested
 2 Disallowed
2 for Reconsideration \$150.00

These were transferred to Special Enforcement Section.

Activity No. 8 - Motor Fuel Tax Division

Travel

We request the restoration of \$2,400 deleted from our request of \$29,100 for travel and subsistence expense. We have a full crew of twelve men in the Oil Inspection Section of this Division. We have been operating with eight and then nine men but as of this July, 1963, we have as stated a full crew of twelve. Also the territories have been enlarged for more complete enforcement and that means more traveling, expense, and car repairs. We believe this increase in budget request is justified in order to meet the added expenses.

A review of our actual travel expense this year through December in the Oil Inspection Division projected for a year indicates a deficit of approximately \$2,500.00.

In 1962 and 1963, up to the present time, we have had complaints in our office, and to our oil inspectors in reference to the current gas wars. Due to gas wars we are required to spend more time and travel picking up all kinds of motor fuel product samples for testing which has to be done with distilling precision apparatus in accordance with the Society of Testing Materials and the American Petroleum Institute.

Activity No. 12 - Enforcement Divisions - Field Services and Audits

Salaries and Wages

It is requested that the positions for two Post Auditors I be restored as it is proposed to use these men on specialized audits involving cases of a highly specialized or intricate nature. These will be primarily income tax cases of a technical nature that cannot be handled by Tax Examiners or Special Investigators. These men will be under the direct supervision of the Assistant Director, in charge of all enforcement programs, and not only will these men produce additional revenue, but will be an aid to our enforcement program as well as rendering additional services to the taxpayers.

It is requested that the position for one Tax Examiner be restored for the Wichita Branch Office. This office has a continual increase in work loads due to new processes and procedures which has created insurmountable back logs of work. It is our experience that an account referred to this office for collection becomes less and less effective if it is allowed to be held up due to work loads. It is also our experience that if these accounts receivable are allowed to lag six months prior to collections, we will be unable to collect about 30% of these due to the transient population we have in the Wichita area. The end result of our present collection program is that collections are made from the readily available individuals and the obscure individuals accounts are allowed to become dormant. This is an unfair practice from the standpoint of the taxpayer, but we are unable to cope with the situation with the present work load.

Travel

We request the restoration of \$2,175.00 of the \$3,175.00 deleted from our original request of \$91,000.00 due to the filling of one Tax Examiner position for which funds were appropriated for fiscal year 1964. This position is in our Kansas City Branch office and a review of our travel expense this year through December in this division projected for a year indicates a deficit of some \$1,918.00.

Capital Outlay

It is requested that funds be restored for two (2) flat top steel desks. One of the desks is needed for a Clerk II position in the Field Services Division. The old wooden desk and chair now in use, which is in need of repairs, could be retained for use by the three Field men of Shawnee County, as well as those of other counties who occasionally come to the office on business with the various divisions. This would, however, leave one Clerk II without a desk and chair.

The other desk would be needed for the Tax Examiner requested for the Wichita Branch office.

It is requested that funds be restored for one (1) swivel arm chair for the desk requested for the Clerk II position in the Field Services Division.

SUMMARY OF REQUEST FOR RESTORATION OF FUNDS TO COVER ESSENTIAL EXPENDITURES FOR SALARIES & WAGES, AND OTHER OPERATING EXPENDITURES DELETED FROM OUR FISCAL YEAR 1965 BUDGET REQUEST.

SALARIES & WAGES:

3	Accountant I	\$	16,407
1	Calculating Machine Operator I		3,407
1	Clerk I		2,520
1 1/2	Clerk II		4,873
1 1/2	Clerk Steno I		1,546
1	Clerk Steno II		3,531
1	Clerk Typist I		2,644
1	Clerk Typist II		3,528
2	Key Punch Operator II		6,408
2	Post Auditors I		10,992
1	Tabulating Equipment Operator I		3,528
4	Tax Examiners		13,455
	Seasonal Employees		3,390
<u>19</u>	Total (Exclusive of Turnover, Retirement & FICA)	\$	<u>76,229</u>

CONTRACTUAL SERVICES:

Communications	\$	32
Rents & Utilities		32,308
Travel		4,775
Memberships, Dues & Subscriptions		245
Total	\$	<u>37,360</u>

COMMODITIES:

Stationery & Office Supplies	\$	500
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CAPITAL OUTLAY:

10	Flat Steel Top Desks	\$	1,465
1	Typewriter Desk		180
5	Swivel Arm Chairs		330
100	Magnetic Tapes		4,000
2	Magnetic Tape Filing Cabinets		360
1	Two Drawer Storage Cabinet		45
1	Adding Machine		200
	Total	\$	<u>6,580</u>

Grand Total \$ 120,669