

Approved

Jan. 17, 1983  
Date

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by BILL BUNTEN at  
Chairperson

1:30 ~~xxx~~ p.m. on Thursday, January 13, 1983 in room 514-S of the Capitol.

All members were present except: Don Mainey, Harold Dyck, Rex Hoy -- excused

Committee staff present: Marlin Rein -- Research Department  
Lyn Entrikin-Goering -- Research Department  
Bill Gilmore -- Research Department  
Jim Wilson -- Revisors Office  
Charlene Wilson -- Committee Secretary

Conferees appearing before the committee:

Mr. Harley Duncan, Chief Budget Analyst, Division of Budget

OTHERS PRESENT: (See Attached Guest List)

The Chairman called the meeting to order at 1:30 p.m.

Chairman Bunten introduced Harley Duncan, Chief Budget Analyst from the Division of Budget, to review for the committee the Governor's proposals regarding the revenue shortfall. The content of Mr. Duncan's presentation to the committee can be found in the attached items. (See Attachments I, II and III). He indicated that the Governor's proposal for the revenue shortfall that we face for FY 83 consists of three parts. Those being allotments, payment shifts and accelerated collections. The Governor proposed that the allotment system be implemented in two phases. The first phase was effective January 1, 1983. The allotments contained in the first phase would reduce authorized expenditures by 51 million dollars. The Governor has then proposed that on February 1 the second phase of allotments will go into place which will further reduce expenditures by approximately 34½ million dollars. (See Attachment III, Reductions in Estimated State General Fund Expenditures Accomplished by Allotment). The Governor has proposed that the February allotments will go into effect only if necessary.

Mr. Duncan went on to say that the second component of the Governor's proposal is to shift the Local Ad Valorem Tax Reduction and the County and City Revenue Sharing payments out of FY 83, in part, into FY 84. (See Attachment I, Governor's Proposal, Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund).

Currently sales and use taxes are due 30 days following the month in which they are collected. The Governor has proposed that this be changed to what is, in effect, a semi-monthly remittance for large filers and then to move up the date on which the bulk of the remaining returns would be filed. For those collecting retail sales tax of \$1,200 to \$24,000 in a year, they will remain on the monthly schedule, that being one remittance monthly. Instead of being due on the 30th of the month it would be due on the 20th of the month. This would consist of about 30% of the filers. For those collecting more than \$24,000 in any calendar year, they will be required to pay only once monthly but that monthly payment must include an estimate for the first half of the month as well as a reconciliation for the prior month. Mr. Duncan referred to the itemized revenues that would be realized by this proposal. (See Attachment II, Impact of Recommendations).

Representative Arbuthnot questioned the \$65 million loan that the state made from Idle Funds in December and whether or not it needs to be accounted for in this procedure. Mr. Duncan replied that it will have to be repaid, under current law, within 60 days, however, it does not really effect the calculations because it will temporarily increase the resources of the General Fund but then when it is paid back it will come out so that there is no net effect. Mr. Duncan also stated that the Certificate of Indebtedness Statute is in need of some revision if it is going to be operative for the rest of FY 83 and if it is to be of maximum effectiveness should we encounter cash shortages in the General Fund in subsequent years.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,  
room 514-S, Statehouse, at 1:30 ~~XXX~~ p.m. on Thursday, January 13, 1983

Representative Arbuthnot questioned whether any adjustment has been made in regard to the interest that would have been made on the \$65 million had it been left in the Idle Fund. Mr. Duncan indicated that no adjustment has been made. The reason being that the certificate, in and of itself, does not effect the interest that is being earned on deposits and investments to the State Treasury. When the Treasurer invests money it is all handled as a single cash pool and is adjusted as a single cash pool and all of the interest accrues to the General Fund.

Representative Chronister questioned how sure they are as to the amounts of money that will be realized on the sales tax speed-up process. Mr. Duncan replied that they feel reasonably good about these estimates based upon the conclusion of a mini-concensus group comprised of members of the Division of Budget, Department of Revenue and the Department of Research.

Representative Heinemann questioned from a month from now until July 1, what the lowest monthly ending balance they predict will be. Mr. Duncan stated that they expect to have a negative balance, or cash shortage, in the General Fund from late March to the middle of April. It could be short by as much as \$30 million.

Mr. Duncan went on to explain the specifics of the Local Ad Valorem Tax Reduction shift as well as the County and City Revenue Sharing shift. The Governor's proposal is not to make these payments in FY 1983, but to shift them over to July 15. (Refer to Attachment II, Payment Shifts).

Chairman Buntin questioned the merit pay which was deferred in FY 83 and whether funding for merit pay increases had been taken out of the base for FY84. Mr. Duncan indicated that it has been taken out.

Chairman Buntin asked for a motion for approval of the minutes of the January 12 and 13 meetings. Representative Chronister moved that the minutes be approved as written. Representative Solbach seconded the motion. The motion carried.

Chairman Buntin indicated to the members of the committee that a request has been received from Secretary Harder of SRS to introduce legislation which will in effect eliminate able-bodied men and women from eligibility for general assistance, between the ages of 18 and 51 years and provide that those persons may only receive \$100.00 per year as payment from the state. Secretary Harder indicated to Chairman Buntin in a previous conversation that this is a group of people who are most able to care for themselves, regarding their need for social welfare programs and that in the first six months of FY 83, SRS had spent over 80% of their allocated budget for general assistance.

Representative Farrar made a motion that a bill be introduced and have it referred back to this committee. Motion was seconded by Representative Shriver. Discussion on the item followed. Representative Luzzati asked whether Secretary Harder had given any indication as to if there was any agency that would help some of these people find jobs. Chairman Buntin indicated that no mention had been made in reference to this.

Representative Chronister asked whether this would be a one time occurrence or if it would continue every year. Jim Wilson stated that he understood that this minimum amount was for a 13 month period and after that it could be renewed. Motion carried. Representative Holderman requested that he be recorded as voting no on the motion.

With no further business the meeting was adjourned at 2:30 p.m.

GUESTS

DATE Jan 17 1983

NAME	ADDRESS	REPRESENTING
1. John Kelly	1430 Topeka Ave	KACEN
2. Melissa Glass	214 W 6 <sup>th</sup>	Ks. NARAL
3. Ken Rogg	Paula	SQ E
4. Becky Cunningham	Topeka	CKFO
5. Mark Lembeck	Lawrence	Interim Rep Rolfa
6. Roland Wiebe	Topeka	Kansas Natural Resources Com.
7. J. Mendoza	Topeka	DHR
8. Don Roberts	Hays	
9. Paul Jupp	(Map)	
10. Barb Remert	Topeka	Women's Political Caucus
11. Maile Mack	Wichita	Ks. Alliance for Special Ed
12. John Blythe	Manhattan	Ks. Farm Bureau
13. Bob Larson	Olathe	Ks Alliance for Special Ed.
14. David W. Nichel		KCC
15. Mildred Howe	Topeka	AAUW
16. David Stenick	St. Joseph, Mo.	
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Governor's Proposal  
Local Ad Valorem Tax Reduction Fund  
and  
County and City Revenue Sharing Fund

As part of Governor Carlin's package to resolve the fiscal problems facing Kansas in FY 1983, he proposes enactment of legislation to change permanently the statutory distribution dates for payments from the Local Ad Valorem Tax Reduction Fund (LAVTR) and the County and City Revenue Sharing Fund (CCRS). The combined effect of the changes would be to shift approximately \$18.9 million in State General Fund expenditures from FY 1983 to FY 1984. With a permanent change in payment dates, however, FY 1984 expenditures will not be appreciably different than under existing statutes.

Current Law

Current law provides that LAVTR payments shall be made annually on January 15 in an amount equal to 4.5 percent of the retail sales and compensating use taxes collected by the state in the preceding calendar year. Payments are made to each county with 65 percent being apportioned on the basis of population and 35 percent on the basis of equalized assessed tangible property valuation. The amount paid to each county is then apportioned among all taxing subdivisions within the county (except school districts) in

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the proportion that a subdivision's mill levy bears to the total mill levy of all subdivisions (except school districts) in the county.

Current law for the CCRS provides that payments shall be made quarterly on March 15, June 15, September 15, and December 15 in equal amounts which in the aggregate total 3.5 percent of the retail sales and compensating use taxes collected by the state in the preceding calendar year. That is, the four payments in calendar year 1982 totalled 3.5 percent of the calendar year 1981 sales and use tax collections. Entitlements are determined for each county with 65 percent being apportioned on the basis of population and 35 percent on the basis of equalized assessed tangible property valuations. Of the amount determined for each county, 50 percent is paid to the county government and 50 percent is distributed directly among cities in the county in the proportion that a city's population bears to the total population of all cities in the county. (Statutes also contain provisions to insure that each county receives under LAVTR and CCRS at least the amount it received in state FY 1977 from the LAVTR and two other aid programs that existed when CCRS was adopted in 1978; with the growth in sales and use tax collections since FY 1977, this equalization feature ~~has not been~~ activated recently.)

Both the LAVTR and CCRS are demand transfers in that the distributions are mandated by law and not established annually by appropriations acts. On the statutory dates,

monies are transferred to special revenue funds (the LAVTR fund and the CCRS fund) from which the actual payments are made. For budgetary purposes they are treated as State General Fund expenditures.

#### Governor's Proposal

The Governor proposes that the LAVTR program be divided into two payments to be made annually on January 15 and July 15 in equal amounts which total 4.5 percent of the retail sales and use taxes collected in the preceding calendar year. For CCRS the Governor proposes that the current quarterly payments be consolidated into two payments to be made annually on July 15 and December 15 in equal amounts which total 3.5 percent of the retail sales and use tax collections in the preceding calendar year. The proposals do not affect the proportion of sales and use taxes shared with local governments, but only alter the distribution dates.

The effect of the changes is to reduce FY 1983 State General Fund expenditures by \$18.9 million as shown below. This is accomplished by deferring 50 percent of the LAVTR payment to July 15 and deferring the March and June CCRS payments also to July 15.

	<u>Current Law</u>	<u>FY 1983 Proposed Law</u>	<u>Difference</u>
Local Ad Valorem Tax Reduction	\$21,277,000	\$10,638,500	\$(10,638,500)
County and City Revenue Sharing	<u>16,330,780</u>	<u>8,056,286</u>	<u>(8,274,494)</u>
Total	\$37,607,780	\$18,694,786	\$(18,912,994)

While the effect of the proposals on FY 1983 state expenditures is substantial, the impact on local units of government should not be severe. Local units will still receive the funds they would under current law within their 1983 budget year which is co-terminous with calendar year 1983. Additionally, the change will take effect during a period in which local governments are receiving a substantial portion of their property tax revenues which should enable them to schedule cash needs and investments without significant problems. Any adverse effects on local governments would come in the form of reduced interest earnings due to the deferred payments. If one assumes that the entire amount deferred was invested for the entire period of deferral at 8.0 percent annual interest, the maximum interest loss would be approximately \$647,000. Other things remaining the same, of course, this interest would accrue to the State General Fund. It should be noted that the IAVTR and CCRS funds were not reduced by the FY 1983 allotments in that Attorney General Opinion No. 82-160 stated that demand transfer payments could not be included in such a system. Other aid programs, including those to

unified school districts were reduced by 4.0 percent through the allotment system. The LAVTR and CCRS programs constitute the major aid programs for general purpose local units of government.

#### FY 1984 Effects

The Governor's proposals also affect the amounts estimated to be distributed in FY 1984 from what they would be under current law. CCRS payments will be approximately \$633,000 less than under current law because both FY 1984 payments (July and December 1983) will be based on 1982 collections. Under current law, the March and June 1984 payments would be based on 1983 collections.

LAVTR distributions would be approximately \$814,000 less than under current law because the July 15 payment will be based on calendar year 1982 collections. The second FY 1984 payment (January 15) will, however, be affected by the Governor's proposal to accelerate the remittance of sales and use taxes. Those proposals are estimated to increase FY 1983 (and calendar year 1983) receipts by \$31.5 million. In total, the FY 1984 LAVTR distributions including both the rescheduling and acceleration changes are estimated to be only \$53,500 less than under current law. FY 1984 CCRS distributions are not affected by the acceleration proposals because they will both be based on calendar year 1982 collections. The estimated FY 1984 distributions under



current law and the Governor's proposal with and without the acceleration of sales and use taxes are shown below.

Estimated FY 1984 Distributions

	<u>Current Law</u>	<u>Proposed Without Acceleration</u>	<u>Difference</u>
LAVTR	\$22,905,000	\$22,091,000	\$ (814,000)
CCRS	<u>17,182,000</u>	<u>16,549,000</u>	<u>(633,000)</u>
	<u>\$40,087,000</u>	<u>\$38,640,000</u>	<u>\$ (1,447,000)</u>

	<u>Current Law</u>	<u>Proposed With Acceleration</u>	<u>Difference</u>
LAVTR	\$22,905,000	\$22,851,500	\$ (53,500)
CCRS	<u>17,182,000</u>	<u>16,549,000</u>	<u>(633,000)</u>
	<u>\$40,087,000</u>	<u>\$39,400,500</u>	<u>\$ (686,500)</u>

F I S C A L    Y E A R

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GOVERNOR'S RECOMMENDATIONS REGARDING  
REVENUE SHORTFALL

1. ALLOTMENTS
2. PAYMENTS SHIFTS
3. ACCELERATED COLLECTIONS

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1. ALLOTMENTS

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Shortfall 83.5

Adjustments (-) 1.6

Adjusted Shortfall 81.9m

Phase I Allotment 51.0m



IMPACT OF RECOMMENDATIONS

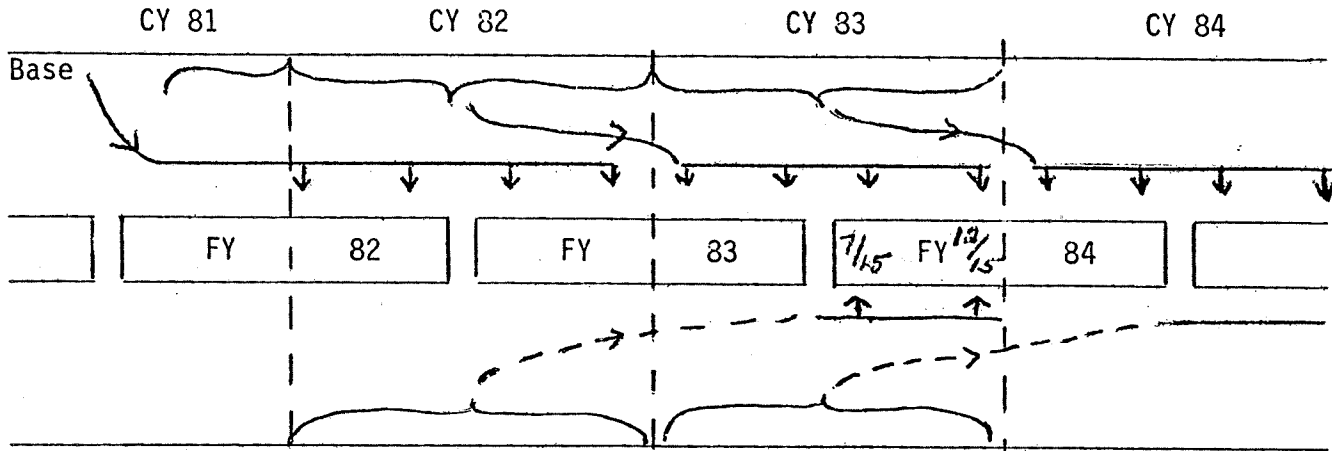
<u>Resources</u>			<u>Expenditures</u>	
Beginning Balance	92.4		Authorized	1479.9
Revenue	1304.0		Demand transfer adjustment	(-) 1.6
Income tax speed-up	80.6		Voluntary savings (leg. & judicial)	(-) 1.2
Sales and use tax speed-up	31.5		Phase I Allotment	(-) 51.0
			LAVTR shift	(-) 10.6
			C/C RS shift	(-) 8.3
	1508.5			1407.2

Ending Balance

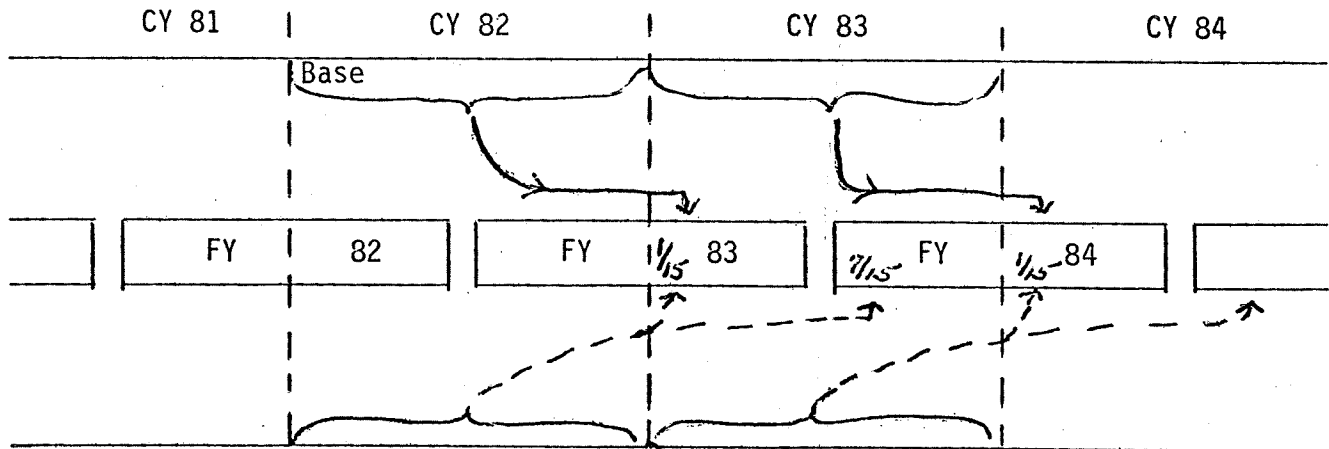
\$101.3m

# PAYMENT SHIFTS

a. C/C RS



b. LAVTR



— Current  
 - - - Proposed

IMPACT OF PAYMENT SHIFTS

1.	FY'83 outlays reduced		\$18.9m
2.	State interest gain (local loss)		
		C/C RS	221,000
		LAVTR	<u>426,000</u>
			647,000
3.	FY '84 saving because of base shifts		
		C/C RS (-)	633,000
		LAVTR (-)	<u>814,000</u>
			(-)1,447,000

Reductions in Estimated State General Fund Expenditures  
Accomplished by Allotment\*

<u>Agency Name</u>	<u>Reductions Effective Jan. 1, 83</u>	<u>Additional Reduction Effective Feb. 1, 83**</u>	<u>Total Reduction</u>
Commission on Civil Rights	61,627	22,173	83,800
Attorney General	79,124	68,198	147,322
Department of Administration	821,689	431,001	1,252,690
Kansas Energy Office	4,275	2,996	7,271
Public Disclosure Commission	8,934	5,803	14,737
Governor's Department	42,172	42,382	84,554
Department of Economic Development	92,397	55,487	147,884
Insurance Department	140,324	122,362	262,686
Judicial Council	--	--	--
Kansas Arts Commission	19,963	14,573	34,536
Legislature (including Legislative agencies)	--	--	--
Lieutenant Governor	3,497	3,515	7,012
Board of Tax Appeals	24,784	18,373	43,157
Department of Revenue	1,202,420	447,170	1,649,590
Secretary of State	55,371	56,612	111,983
Board of Indigents' Defense Services	114,614	104,374	218,988
State Treasurer	48,178	48,420	96,598
Judicial Branch	--	--	--

\* Subject to revision

\*\* Effective February 1, 1983 unless 1983 Legislature takes action to reduce expenditures or increase revenues in amounts sufficient to obviate need

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<u>Agency Name</u>	<u>Reductions Effective Jan. 1, 83</u>	<u>Additional Reduction Effective Feb. 1, 83**</u>	<u>Total Reduction</u>
Department on Aging	22,368	7,638	30,006
Department of Human Resources	111,452	64,501	175,953
Department of Social and Rehabilitation Services (including state youth centers)	2,201,473	1,529,427	3,730,900
Kansas Soldiers' Home	81,632	31,633	113,265
Board of Regents and Education Institutions under its control	13,915,405	9,777,400	23,692,805
Kansas State Library	66,055	52,765	118,820
Kansas State Board of Education and Agencies Under its Control	23,459,450	18,346,334	41,805,784
Public Television Board	264,500	--	264,500
Adjutant General	110,821	63,776	174,597
Attorney General (Kansas Bureau of Investigation)	220,410	146,852	367,262
Corrections Ombudsman Board	6,449	4,628	11,007
Crime Victims Reparations Board	4,604	2,708	7,312
Department of Corrections (including correctional institutions)	2,499,447	859,400	3,358,847
Kansas Adult Authority	24,408	8,916	33,324
Board of Agriculture	333,458	182,807	516,265
Animal Health Department	26,515	10,199	36,714
Kansas State Fair	--	--	--
State Conservation Commission	75,834	--	75,834
Kansas Water Office	153,224	--	153,224
Division of Mental Health and Retardation Services (including state institutions)	3,687,203	1,459,597	5,146,800
Department of Health & Environment	653,127	334,107	987,234

<u>Agency Name</u>	<u>Reductions Effective Jan. 1, 83</u>	<u>Additional Reduction Effective Feb. 1, 83**</u>	<u>Total Reduction</u>
State Historical Society	207,175	103,657	310,832
Park & Resources Authority	116,609	62,574	179,183
Highway Patrol	16,750	14,683	31,433
TOTAL for the allotment system	\$50,977,738	\$34,507,041	\$85,484,779