

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANSThe meeting was called to order by Bill Buntun at
Chairperson1:30 ~~xxx~~ p.m. on Tuesday, January 25, 1983 in room 514-S of the Capitol.

All members were present except:

Committee staff present: Marlin Rein -- Legislative Research Dept.
Lyn Entrikin-Goering -- Legislative Research Dept.
Bill Gilmore -- Legislative Research Dept.
Jim Wilson -- Revisor's Office
LewJene Schneider -- Administrative Assistant
Charlene Wilson -- Committee Secretary

Conferees appearing before the committee:

Mr. Harley Duncan -- Chief Budget Analyst, Division of Budget
Mr. Ernest Mosher, Kansas League of Municipalities
Mr. Fred Allen, Kansas Association of CountiesOthers Present: (Attachment I)

The meeting was called to order by Chairman Buntun at 1:35 p.m.

The Chairman made reference to SB 54 and SB 27 which were to be given consideration by the committee today.

Senate Bill No. 54, "An Act concerning appropriations for the fiscal year ending June 20, 1983; lapsing certain amounts appropriated from the state general fund for certain state agencies; and imposing certain restrictions and limitations."

Mr. Harley Duncan discussed the provisions of SB 54 making reference to the Attachments II and III. He indicated that the intent of SB 54 is to lapse those amounts that were included in the Phase I allotments issued by the Governor effective January 1, 1983. The reason it is necessary that those amounts be lapsed is that once the other parts of the proposal have been acted upon by the Legislature it will no longer be possible to declare that there is a deficit in the state general fund. A reading of the law, under which the allotments were imposed, would indicate that the ability to continue those allotments once there is no deficit is open to question. The effect of SB 54 is to lock into place, through lapsing of authorized expenditures, those amounts that were contained in the Phase I allotments. He stated that the amount of lapses in SB 54 is \$55 million. This concluded the testimony on SB 54.

Senate Bill No. 27, "An Act relating to the county and city revenue sharing fund; concerning the allocation and distribution of moneys therefrom; amending K.S.A. 1982 Supp. 79-2964 and 79-2966 and repealing the existing section."

Mr. Harley Duncan reviewed the provision of SB 27 referring to Attachment IV. Mr. Duncan explained that SB 27 is another part of the package the Governor has recommended to resolve the FY 83 financial problems that we are facing. It addresses the payment dates of the County and City Revenue Sharing Fund. Under current law, payments from the County and City Revenue Sharing Fund consists of 3.5% of retail sales compensating use taxes received by the state in the preceding calendar year. Payments are currently made on March 15, June 15, September 15 and December 15. The proposal contained in SB 27 does not effect the amount of the entitlement or distribution among counties and cities, rather it would move those four payments to two semi-annual installments on July 15 and December 15. The effect of the proposal, as compared to current law, is to defer the payment that would normally be made on March 15 and June 15 to July 15. That shifts them out of FY 1983 and into FY 1984. The sum total of the shift is approximately \$8.2 million. The change would be accomplished on a permanent basis so that we are not loading up FY 84 and adding that \$8.2 million to what would be distributed otherwise. It will be a permanent change and the amount distributed in FY 84 will be comparable to what it would be under current law. The local governments involved would receive the funds due them in their fiscal year in which they anticipate them. In his closing remarks, Mr. Duncan indicated that SB 27 is a companion piece to SB 24 which would effect the Local Ad Valorem Tax Reduction Fund.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,
 room 514-S, Statehouse, at 1:30 ~~XXX~~/p.m. on Tuesday, January 25, 1983

Representative Heinemann made reference to the change of language in SB 27 lines 30 and 31 from taxes deposited in to taxes credited to the state general fund. He questioned whether these were equal terms. Mr. Duncan stated that the reason that this was necessary is that a strict interpretation of taxes deposited in the state treasury would require you also to distribute part of the 3½% of which you would put in a refund fund as well as the food sales tax credits. It is Mr. Duncan's understanding that the practice has been to interpret this to mean a credit to the state General Fund so that this is conforming the law to the practice. Otherwise amounts of money would be paid out based on that which never got to the General Fund.

Mr. Ernie Mosher, League of Kansas Municipalities, was called upon by the Chairman to address the committee. Mr. Mosher distributed a statement on SB 27 to the members of the committee. (Attachment V). He stated that he was appearing neither for or against the bill but to suggest a possible amendment to SB 27. After reviewing SB 24 and SB 27 they have taken the position that as long as the allocation was dated the same fiscal year, in view of the state's general fund fiscal position, they have no strong objections. He stated that they would like to suggest an amendment to the bill to accelerate the December 15 payment by several days. The reason being that local units operate on a cash basis law and as it now exists, the payments are issued by the State Treasurer on December 15, getting to the local treasurers about December 20. This is within only 10 or 11 days of the end of the local fiscal year. They are asking that this money be sent several days in advance so that they can use it in the local calendar fiscal year for which it was intended. He stated that their recommendation would be that this payment be made as early as November 15. They do understand that this would cost the state General Fund several thousand dollars in lost interest but on the other hand every day that it is deferred it costs local units as well. It is felt that there may be some problems with cash basis law violations as a result of these deferments. They feel that there may be some small cities, because of these deferred payments, that may encounter these violations.

Chairman Bunten mentioned, for the information of the committee, that the Budget Division and the Chairman of the Senate Ways and Means Committee have indicated to him that they have no reservations about moving up the distribution date by 5 days, which would make the distribution on the 10th of December. The cost to the state in lost interest would be about \$18,000.00.

Mr. Fred Allen was called upon by Chairman Bunten to address the committee. Mr. Allen stated that he concurred with the amendments proposed by the League of Kansas Municipalities. He indicated that they don't anticipate a great problem for counties but they would appreciate any help the Legislature could give them in accomplishing this goal in a very effective and efficient way. This concluded testimony on SB 27.

Representative Arbuthnot made a conceptual motion stating that the dates of distribution in SB 27 be set back by five days. Jim Wilson indicated that this would involve changing the dates in Line 28 of SB 27, with reference to July 15 and December 15, to read July 10 and December 10. Representative Hoy seconded the motion. Committee discussion followed.

Representative Luzzati made a substitute motion indicating that the same procedure be followed as proposed in Rep. Arbuthnot's motion with the exception of using the dates July 1 and December 1. Representative Myers seconded. Representative Farrar questioned why the July 15 date needed to be moved back to July 1. He felt that this didn't seem necessary. Some discussion followed with relation to leaving the July 15 distribution date as is and go with a December 1 distribution date. Representative Arbuthnot requested the defeat of Rep. Luzzati's motion. Representative Mainey agreed with Rep. Arbuthnot in light of the fact that if we amend this bill and run into any problems on the Senate side, we will encounter some time problems in getting this bill passed. Since it appears this bill needs to run through as quickly as possible, Rep. Mainey didn't feel we have time to run the bill through the process again. Representative Luzzati requested Representative Myers to withdraw his second. Representative Myers agreed to do so.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,
room 514-S, Statehouse, at 1:30 ~~xxx~~/p.m. on Tuesday, January 25, 1983

Representative Shriver made a substitute motion that this committee introduce separate legislation to deal with the date change. Representative Solbach seconded. Chairman Bunten declared the substitute motion out of order.

Representative Farrar re-emphasized the fact that the Senate is in agreement with a December 10 date in which case he made a substitute motion that the December 15 distribution date be changed to December 10 and the July 15 date remain on July 15. Representative Rolfs seconded. Representative Lowther asked what the deadlines were for getting SB 54 and SB 27 to the Governor. Chairman Bunten responded that we are in a substantial hurry on SB 54 but that there is some time on SB 27 since the first distribution date is set for March 15. Representative Lowther added that, with as much debate as is occurring in this committee on SB 54 today, if the bill had to be referred to a conference committee it would probably meet with further debate in order to work out the details so perhaps this legislation should be passed and the change of distribution dates be addressed at a later time in another piece of legislation. Motion lost.

Chairman Bunten referred back to Representative Arbuthnot's motion. Representative Mainey felt that Representative Arbuthnot should give consideration to withdrawing his motion. A vote showed that the committee preferred to deal with the change of distribution dates in a separate bill. Representative Arbuthnot withdrew his motion.

Representative Holderman moved that SB 27 be reported favorably for passage. Representative Rolfs seconded. Motion carried.

Representative Arbuthnot moved that SB 54 be reported favorably for passage. It was seconded by Representative-Luzzati. Motion carried.

Representative Dyck moved that a new bill be drawn up to move the distribution date from December 15 to December 10 leaving the July 15 distribution date as it is. Representative Louis seconded.

Representative Mainey made a substitute motion stating that a new bill be drawn up and that the date of distribution be moved from December 15 to December 1 and the July 15 distribution date remain the same. Representative Meacham seconded. Motion carried.

The meeting was adjourned at 2:20 p.m.

NAME	ADDRESS	REPRESENTING
1. Harley Duncan	State House	Division of Budget
2. Loren Bushy	Lawrence	Lippitt Intern
3. Mary Harper	Healy, Ks	AAW
4. Fred Allen	Topoka	K.A.C.
5. Ed Carbon	Topoka	League of Municipalities
6. Ben Wicks	Lawrence	Associated Press
7. Jim Shon	Judicial Center	Off of Judicial Admin
8. Darlene Skarus	topoka	Committee of Churches
9. Ruth Gowers	Topoka	KCCY
10. Betty Luman	Topoka	UPI
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SENATE BILL NO. 54
As Amended by Senate Committee on Ways and Means

Voluntary Reductions:	\$ 22.7 million
LESS: Legislative Savings	(0.4)
Judicial Savings	(1.4)
ADD: 4 percent reduction in aid	21.0
Merit deferral	9.1
Miscellaneous budget savings	<u> </u>
Phase I Allotment Level	\$ 51.0
ADD: Salary Plan Reserve	2.8
Legislative Savings	0.4
Judicial Savings	<u>0.8</u>
Amount of Lapse in SB 54	\$ 55.0 million

Division of the Budget
January 25, 1983

Atch. II

MISCELLANEOUS BUDGET REDUCTIONS

Not part of 4% reduction in state operations and aid programs or merit deferral

Special Education	\$2,697,312	Overfunded due to lower transportation costs - \$333,000 also in voluntary 4%
Community Corrections	613,589	Later starting date for Sedgwick County, increased charge back expense, and other savings. \$1.2 million also in 4% voluntary
K.U. Medical Center	1,181,953	Agency did not program to utilize a reappropriated balance in this amount
	89,490	Reduced medical scholarships to actual number of students
KSIR	55,755	Reduction in estimated ADP
Kansas Water Office	71,230	Reduction due to USGS contracts not approved
	29,154	Reduced charges by Corps of Engineers
Board of Regents	22,250	Reductions based on actual number of Regents professors and optometric and osteopathic scholarships
Civil Rights	5,000	Wichita conference
Public Television Board	264,500	Withholding of KTWU translators
Judicial Branch	810,378	Estimated voluntary savings
Legislative Agencies	415,424	As per July voluntary reductions
	<u>\$6,532,517</u>	

Division of the Budget
January 25, 1983

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

Atch. III

<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

Division of the Budget
January 24, 1983

Senate Bill No. 27

Shift In Dates for County and City
Revenue Sharing Fund Payments

Current Law:

Payments consist of 3.5 percent of retail sales and compensating use taxes received by the state in the preceding calendar year. 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 valuation. Of the amount determined for each county, 50 percent is paid to the county government and 50 percent is distributed directly by the state among cities in the county in the proportion that a city's population bears to the total population of all cities in the county.

Payments are made in equal amounts on March 15, June 25, September 15 and December 15.

Proposed Law:

Proposed law does not affect the amount of the entitlement or its distribution among counties and cities. It affects only the payment dates and would consolidate the four payments into two payments to be made on July 15 and December 15 of each year.

Effect of the Proposal:

Proposed law would defer the March and June 1983 payments to July 15, 1983 which will shift approximately \$8.3 million in State General Fund expenditures from FY 1983 to FY 1984. Because the change is made on a permanent basis, however, FY 1984 demands are not simply increased by the amount of the deferral and will be roughly comparable to what they would be under current law.

Local governments will still receive the funds due them within the fiscal year in which they anticipated them because their fiscal year is co-terminous with the calendar year.

Atch. IV

The shift also affects the amounts estimated to be distributed in state FY 1984 from what they would be under current law. County and City Revenue Sharing payments will be approximately \$633,000 less than under current law because both FY 1984 payments (July and December 1983) will be based on calendar year 1982 collections. Under current law, the March and June 1984 payments would be based on calendar year 1983 collections.

STATEMENT ON SB 27: DEFERRED STATE PAYMENTS TO CITIES

To House Committee on Ways and Means

By E.A. Mosher, Executive Director, League of Kansas Municipalities

January 25, 1983

The Governing Body of the League reviewed the proposed deferment of certain state payments to cities, now contained in SB 24 and SB 27, and agreed to take no position--given the state's cash flow condition--provided such payments continue to be received within the same local fiscal year. To our best knowledge, no serious adverse affects on local units will result. Obviously, there is some potential loss of local interest earnings, in the range of several hundred thousand, but we do not consider this to be critical, given the condition of the state treasury. However, we offer three suggestions. First, we would like to secure passage of a new law permitting the issuance of no-fund warrants in 1983 to meet possible city cash shortages, which I will discuss in a moment. Second, we would like to offer some proposed changes in the distribution dates contained in SB 27. Third, we would like to secure passage of a new bill which amends, in effect, SB 24.

SB 27 Payment Dates

Of principal interest to us is to secure an advancement of the proposed December 15 payment of the second half of the county and city revenue sharing fund, which is estimated to be about \$8.2 million. As you know, the present law provides for a quarterly distribution, beginning March 15. SB 27 provides for a July 15 and a December 15 payment. The months of November and December are commonly the low cash flow months for cities. A state payment mailed on December 15 means that the payment is actually deposited locally several days later. Since local units operate on a cash basis--accounts receivable are not considered revenue until actually received and deposited--some potential cash law violations could occur. We would like to accelerate this payment, preferably to November 15, and to December 1 at the latest.

No-Fund Warrants

We cannot provide you the name of any Kansas local unit which will actually experience a problem (excluding lost interest earnings) or a violation of the cash basis law in 1983 as a result of the enactment of SB 24 and SB 27. However, this could occur, and we would like to offer a simple bill (attached) to prevent the problem. The bill permits a city to authorize the issuance of no-fund warrants to cover cash shortages resulting from the failure to receive previously scheduled and budgeted state payments. The authority would exist only for 1983. The authorization for the issuance of no-fund warrants would require an action by the governing body, but they would not actually be issued except when the finance officer finds a temporary cash shortage is imminent. If warrants are actually issued, they would have to be repaid, together with any interest, from the deferred state payments received later in the year.

We think the problem the bill addresses would be limited to cities, and probably to smaller cities. However, we have no objections if the bill is broadened to include counties.

Atch.

V

SB 24 LAVTRF Payment Dates

We are well aware that SB 24 which defers the distribution of one-half the local ad valorem tax reduction fund (LAVTRF) from January 15 to July 15, is now law. In the Senate committee discussion of this bill, on the Friday before the session began, we proposed the acceleration of these dates by a few days. While I think the Senate committee members were sympathetic with our concerns, it was not timely to amend the bill.

I realize that SB 24 is not before this committee. However, we would like to recommend that the committee introduce a bill to amend the LAVTRF distribution law, as amended by SB 24, to advance the distribution dates, beginning in July 1983, from the 15th to the 5th of these two months. This would be of considerable help to cities and other taxing districts. Let me explain why:

Most county treasurers now distribute the LAVTRF money at the same time as property tax payments are distributed, although a few apparently make a separate distribution when the amount is large. Frequently, the present annual January 15 payment is received after the county treasurer closes the books for the January 20 tax distribution, resulting in the money being retained by the county treasurer. While there are apparently considerable variations as to when different county treasurers actually make tax distributions, the basic statute (12-1678a) provides for a distribution on or before the 20th day of January and July. (There are some other distribution dates, but these are the big ones, covering tax payments made by December 20 and June 20.) Our objective is to get the two LAVTRF payments to the county treasurer in time for it to be distributed by January 20 and July 20. State payments to county treasurers as of the 15th cuts this a little tight. A distribution on either the first or fifth of these two months should permit the prompt distribution of the state payments to those local units which are legally entitled to the money.

BILL No. _____

By _____

AN ACT concerning cities; authorizing the issuance of no-fund warrants.

Be it enacted by the Legislature of the State of Kansas:

Section 1. To finance needed expenditures and to avoid violations of the cash basis law resulting from the failure to receive scheduled state payments from the local ad valorem tax reduction fund and the county and city revenue sharing fund equal to the amount budgeted and estimated to be received therefrom, the governing body of any city may, during the calendar year 1983, provide by resolution for the issuance of no-fund warrants. The amount of such warrants shall not exceed one-half the total amount budgeted from such payments for 1983. The resolution providing for the issuance of no-fund warrants may authorize the city clerk or other finance officer of the city, subject to the approval of the mayor or city manager of such city, to sell such amounts of the authorized warrants as may be necessary. Moneys not immediately needed in any fund of the city may be invested in such no-fund warrants. Such resolution shall provide for the redemption during 1983 of any warrants which are actually sold, with the principal and interest thereon payable from receipts from such state payments during the second half of 1983.

Sec. 2. This act shall take effect and be in force from and after its publication in the official state paper.