

Approved: 3-18-91
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson George Teagarden at 8:10 a.m. on March 1, 1991 in room 514-S of the Capitol.

All members were present except: All present.

Committee staff present:

Ellen Piekalkiewicz, Legislative Research Department
Debra Duncan, Legislative Research Department
Jim Wilson, Revisor of Statutes
Susan Miller, Administrative Aide
Sue Krische, Committee Secretary

Conferees appearing before the committee:

Gary Stotts, Secretary, Department of Transportation
Representative Rex Crowell
Pat Hurley, Economic Lifelines
Mary Turkington, Kansas Motor Carriers Association
Dan Ramlow, Executive Director, Kansas Contractors Association
Charles Ellis, BRB Contractors, Inc.
Bernie Koch, Wichita-Sedgwick County Partnership for Growth and Central Kansas Council of Chambers
Ron Nitcher, Insurance Department

Others attending: see attached list.

HB 2479 - State finance; certain transfers from the State General Fund suspended or fixed at certain rates.

Richard Ryan, Director, Kansas Legislative Research Department, reviewed a memorandum outlining the proposed changes in demand transfers from the State General Fund (Attachment 1). The bill addressed transfers for Income Tax Rebate, to the State Highway Fund, to the Local Ad Valorem Tax Reduction Fund, to the County-City Revenue Sharing Fund, to the City-County Highway Fund, to the Workers Compensation Fund, and to the State Water Plan Fund.

Gary Stotts, Secretary, Department of Transportation, appeared in opposition to Section 7 of HB 2479, which reduces the transfer from the State General Fund (SGF) to the State Highway Fund (SHF). He noted the reduction amounts to just under \$27 million for FY92 and would be permanent, totaling approximately \$282 million over the period of the Comprehensive Highway Program from FY92 to FY2000. Secretary Stotts added that factoring in debt financing changes and interest changes resulting from less dollars available, the impact would be more accurately approximately \$330 million. He advised that removing \$300 million from the package will have significant impact on the content and substance of the Comprehensive Highway Program. Secretary Stotts stated maintenance of the system already in place is KDOT's highest priority. In response to a question, Secretary Stotts stated it was true if all the bonds on the Comprehensive Highway Program are issued, the Department, in approximately eight years, would be in a position of needing to use most of its revenue for debt service, causing a cut back on maintenance without help from the federal government or a tax increase. Representative Patrick asked if the Department has measured the impact of rising asphalt prices on the Highway Program. Secretary Stotts will advise later.

Representative Solbach asked Secretary Stotts to monitor closely the actions the federal government may be considering regarding highways so that the state doesn't do construction that could have been funded with federal resources. Representative Patrick asked Secretary Stotts to advise the logic behind the Department's support of the suggestion last year by Governor Hayden to delay payment of \$18 million to the State Highway Fund.

Representative Crowell testified in opposition to the reduction in the State General Fund transfer to the State Highway Fund in HB 2479. He emphasized that the withdrawal of funds would damage the consensus that was developed on passage of the program and he noted cutting funds now will jeopardize out-year programs. Representative Crowell expressed concern that draining revenues from the highway program will shake investor confidence and result in the state not getting the best possible rates in the bond market, which will, in turn, erode funding available for road projects.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, room 514-S Statehouse, at
8:10 a.m. on March 1, 1991.

Pat Hurley, Economic Lifelines, appeared in opposition to the proposed reduction in the transfer from the SGF to the SHF in HB 2479. He noted that one of this state's biggest problems for many years was inadequate funding of its highway needs. He stated the proposal in HB 2479 will make a permanent reduction in this program of significant magnitude and, as a result, the problem that was solved by the Comprehensive Highway Program becomes again unresolved for the state.

The meeting was recessed at 8:55 a.m. Chairman Teagarden announced the meeting would reconvene today on adjournment of the House.

Chairman Teagarden reconvened the meeting at 10:05 a.m. and asked Mr. Hurley to stand for questions regarding his previous testimony. Representative Solbach asked if any of the system enhancement projects do not have local matching funds and Mr. Hurley stated that question would have to be addressed by KDOT.

Mary Turkington, Kansas Motor Carriers Association, appeared in opposition to Section 6 and Section 7 of HB 2479, which would reduce transfers from the SGF to the City-County Highway Fund and the SHF (Attachment 2). Ms. Turkington suggested an appropriate increase in sales tax combined with income tax revisions as a means of addressing the state's fiscal problems. In response to a question, she stated she has made these suggestions to the Legislative tax committees.

Dan Ramlow, Executive Director, Kansas Contractors Association, introduced Charles Ellis, BRB Contractors, Inc., who testified on behalf of his company, as well as the Kansas Contractors Association. Mr. Ellis expressed opposition to the reduced SGF transfer to the SHF stating the proposal would cripple the highway program and make the highway bonds much less saleable (Attachment 3). Mr. Ellis emphasized the importance of the highway program to economic development and jobs in Kansas and urged the Committee to reject the proposal in HB 2479.

Bernie Koch, Wichita-Sedgwick County Partnership for Growth and Central Kansas Council of Chambers, appeared in opposition to the reduction in SGF transfers to the SHF in HB 2479 stating there is a great need in central Kansas for new highways. Mr. Koch has pursued federal funds for highways and he noted that his experience has been that federal funds are more obtainable when a strong commitment on the local and state level is shown.

Ron Nitcher, Kansas Insurance Department, appeared to advise the Committee that eliminating the \$4 million transfer from the SGF to the Workers Compensation Fund will increase the annual workers compensation fund assessment on insurance carriers and self-funded insurers (Attachment 4). In addition, he advised that eliminating the \$4 million transfer will increase workers compensation rates charged to employers by 1.5 percent. Representative Gatlin requested staff to provide for Committee members the 1990 subcommittee report on the Insurance Department which includes a paragraph on the growth of the Second Injury Fund.

The meeting was adjourned at 10:45 a.m. The next meeting is Monday, March 4 at 1:30 p.m. in 514-S.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: 3-1-91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
RON NITZER		Insurance Dept.
PATRICK J. HURLEY	TOPEKA	Economic Life Plaza
Bernie Koch	Wichita	Central Ks. Council of Chambers and Wichita Chamber
C.K. Ellis	Topoka	BRB Contractors Inc.
Dan Ramlow	TOPEKA	Ks. Contractors Assn.
E.R. "Woody" Moses	Topoka	Ks Agg Prod. Assn.
Glen Coulter	Topoka	Ks. Good Roads
Tom Whitaker	Topoka	Ks Motor Carriers Assn.
MARY E. TURKINGTON	Topoka	Ks Motor Carriers Assn.
George Barber	Topoka	Ks Consulting Engne
BEV BRADLEY	Topoka	Ks Assoc of Counties
Robert Hale	Topoka	KDOT
De Miller	Topoka	KDOT
Kristy Koscielny	Topoka	Governor's Leg. Affairs
JIM HAYS	TOPEKA	Ks. Assn. of Sch. Bds.
Mike Bohuff	Topoka	Budget
Mike Miller	Topoka	City of Topoka
Warren Hoemann	Overland Park	Yellow Freight System
Robert A. Anderson	Topoka	KDHR / work comp
Joe HARKINS	TOPEKA	RWO

**1991 H.B. 2479 -- PROPOSED CHANGES IN DEMAND TRANSFERS
FROM THE STATE GENERAL FUND**

<u>Demand Transfer</u>	<u>Current Law</u>	<u>H.B. 2479</u>
Income Tax Rebate	24% of resident income tax liability before credits for income taxes paid to another state	22.61% for tax year 1990 only (FY 1992)
To State Highway Fund	10% of sales taxes credited to State General Fund	6.56% for FY 1992 and thereafter
To Local Ad Valorem Tax Reduction Fund	4.5% of sales and use taxes credited to State General Fund	4.348% for FY 1992 and thereafter
To County-City Revenue Sharing Fund	3.5% of sales and use taxes credited to the State General Fund	3.368% for FY 1992 and thereafter
To City-County Highway Fund	100% of motor carrier property tax credited to the State General Fund	95% for FY 1992 and thereafter
To Workers Comp. Fund	\$4.0 million	No transfer in FY 1992
To State Water Plan Fund	\$6.0 million	No transfer in FY 1992

Kansas Legislative Research Department
February 28, 1991

STATE GENERAL FUND EXPENDITURES – SELECTED COMPARISONS BETWEEN FY 1991 AND FY 1992

In Thousands

	Estimated or Actual FY 1991	Fiscal Year 1992					
		Est. With No Law Change	Incr. From FY 1991	Gov. Current Res. Budget	Incr. From FY 1991	3 House Approp. Com. Bills	Incr. From FY 1991
<u>Demand Transfers</u>							
Income Tax Rebate	\$ 189,720	\$ 203,900	\$ 14,180	\$ 189,720	--	\$ 189,720	--
State Highway Fund	74,468 ^(a)	78,100	3,632	78,100	3,632	51,234	(23,234)
Local Ad Valorem Tax Reduction Fund	37,164 ^(b)	38,696	1,532	37,164	--	37,164	--
County-City Revenue Sharing Fund	28,351 ^(b)	29,461 ^(b)	1,110	28,351	--	28,351	--
City-County Highway Fund	9,052 ^{(a)(b)}	9,500	448	9,127	75	9,052	--
Water Plan Fund	5,895 ^{(a)(b)}	6,000	105	--	(5,895)	--	(5,895)
Workers Comp. Fund	3,930 ^{(a)(b)}	4,000	70	--	(3,930)	--	(3,930)
Regent's Center	1,000 ^(b)	--	(1,000)	--	(1,000)	--	(1,000)
Total	\$ 349,580	\$ 369,657	\$ 20,077	\$ 342,462	\$ (7,118)	\$ 315,521 ^(c)	\$ (34,059)
<u>Other</u>							
Longevity Bonus	yes	yes		no		no	
Pres Primary Aid	--	1,200	1,200	--	--	--	--

a) Reflects 1.75 percent reduction required by 1990 S.B. 799.

b) Actual.

c) This amount is \$26.9 million less than shown for the Governor's current resources budget.

Kansas Legislative Research Department
February 21, 1991

91-204/RWR

STATEMENT

By The

KANSAS MOTOR CARRIERS ASSOCIATION

Opposing House Bill 2479 as it
relates to funding for the Kansas
comprehensive highway program.

Presented to the House Appropriations
Committee, Rep. George Teagarden, Chairman;
Statehouse, Topeka, Friday, March 1, 1991.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Mary E. Turkington, Executive Director of the Kansas Motor Carriers Association with offices in Topeka. I appear here today on behalf of the 1,550 member-firms of our Association representing the highway transportation industry.

We are here to ask that you reconsider the budget approaches you have proposed in House Bill 2479.

Specifically, we wish to address the reduction in Section 6 and in Section 7 of the bill as such relate to the statutory demand transfers from the sales tax dollars available in the general fund.

HA
3-1-91
Attachment 2

Section 6 proposes that you transfer only 95% of the total sales tax dollars collected from ad valorem taxes on state-assessed motor vehicles to the special city and county highway fund. While this would not be a "high dollar" amount in terms of total tax collections, the special city and county highway fund would suffer a loss of some \$475,000 for fiscal year 1992 and, apparently, would be subject to a similar reduction every year thereafter. Local units would have to look elsewhere for those tax dollars.

Section 7 of the bill gets to the heart of our disappointment with this budget approach.

It is a well-known fact that there are those who have opposed from the beginning the transfer from the General Fund of 10 percent of the total sales taxes collected to the state highway fund.

The 10 percent factor was not something drawn out of thin air. Those dollars represent the sales taxes collected on the sale of new and used vehicles. Such dollars have been recognized as "user fees" by the Kansas Legislature since 1983.

The comprehensive highway program hammered out by the Kansas Legislature in 1989, depends on sales tax funding components to finance the blueprint for progress represented by the 8-year highway program.

Countless Kansas communities are making local investments in the enhancement projects now on the drawing boards at the Kansas Department of Transportation.

While the 8-year program is a comprehensive one, there still are major unmet needs in almost every section of the state.

Our industry accepted substantial tax increases to help provide the dollars necessary for this highway construction and maintenance program because we believed then -- and we believe now -- that this program offers Kansas an opportunity to build its future.

Adequate funding will permit sound planning, wise utilization of available tax dollars, and accountability in terms of being able to measure work done to restore and preserve the system of streets and highways on which Kansas communities depend.

The Legislature adopted this highway program in 1989. Local communities have proceeded with fiscal support and high expectations for the enhancement projects approved this year. KDOT has executed planning for the first five years of this investment in highway improvements that add meaningful highway safety standards.

Kansas needs to have the courage to continue its support for this vital program that means jobs, economic stimulation and commitment.

We understand the fiscal limitations with which you presently are confronted. There are alternative fiscal actions open to you. Reducing vital programs is not the answer. We strongly suggest that close scrutiny of existing expenditures is important. We also suggest that you look at an appropriate increase in the sales tax combined with income tax revisions as a means of keeping Kansas a progressive, competitive state in which to live and work.

BRB Contractors, Inc.

HEAVY AND UNDERGROUND CONSTRUCTION

Phone (913) 232-1245
Fax # (913) 235-8045



400 N.W. Curtis Street

P.O. BOX 8128
TOPEKA, KANSAS 66608-0128

TESTIMONY BY THE KANSAS CONTRACTORS ASSOCIATION

Before the House Appropriations Committee
Regarding House Bill 2479

Mr. Chairman, and members of the House Appropriations Committee. Thank you for the opportunity to appear before you today to provide additional comments on House Bill 2479. My name is Charles Ellis. I am the bridge division manager for BRB Contractors, Inc. of Topeka, Kansas. We build water and wastewater plants and bridges throughout the Midwest and Kansas. I am appearing on behalf of BRB and also the Kansas Contractors Association of which I am chairman of the structure committee. Our Association represents over 330 heavy, highway and municipal-utility contractor and associate member firms in the Kansas Construction industry.

I am very concerned over the plan to reduce the sales tax transfer fund by 34% which is part of House Bill 2479. This reduction will severely cripple the Highway program as it was passed over two years ago. As I understand it, over 305 million dollars would be taken from the program over an 8 year period. This reduction would seriously hamper our Association's members and would hurt the salability of the bonds which account for over 890 million dollars of the 2.65 billion dollar highway project.

I am sure you can understand my concern over this proposal. 18 months ago, my employer elected to grow along with Kansas and did so by committing company resources to the development of a bridge division. If this program is reduced by over 300 million dollars or even more when you take into account the possibility of losing additional funds due to the restructuring of the bond program, our business will suffer.

HA
3-1-91
Attachment 3

But besides us, it will hurt others too. One of the cornerstones of the Highway program was to provide employment to many people in the state. If we reduce the program, our unemployment will surely rise and the economic condition of the state will suffer.

In addition, a cutback in the highway program will hurt the state economic development. The Highway Program was passed to provide a basic transportation infrastructure to support our state's economic health and protect our citizen's safety. It needs to be protected.

Many communities around the state are counting on the programs outlined in this program thinking it has already passed. Here in Topeka, many are counting on Highway 75 to be improved. If this measure is passed, many communities will have to live with existing highways some of which are dangerous and need to be replaced.

I stand before you as an example of a recent home purchaser in Topeka, representing in part, the inward migration of families responding to work opportunities offered by the Highway Program Initiative. I further represent the pyramiding effect of an increase in the commerce of Kansas. The generation of increased City, County and State revenues all largely the result of a commitment to the infrastructure improvement of the State of Kansas.

I urge you turn down this proposal. It has too many drastic consequences for the state's future and economic development. I thank you for the opportunity to appear before your committee and would be happy to answer your questions.

IMPACT OF HOUSE BILL NO. 2479
 PRESENTED TO THE HOUSE APPROPRIATIONS COMMITTEE
 BY
 THE KANSAS INSURANCE DEPARTMENT
 MARCH 1, 1991

1. Eliminating the \$4 million transfer from the state general fund will increase the annual workers compensation fund assessment on insurance carriers, self-funded insurers and group-funded workers compensation pools.

EXAMPLE

<u>Insurance Companies</u>	<u>FY 1991 Actual Assessment with \$3,930,000 Transfer</u>	<u>FY 1991 Assessment Without Transfer</u>
Travelers Indemnity Co. of Illinois	\$1,008,141	\$1,245,197
Farm Bureau Mutual Ins. Co.	\$ 170,789	\$ 210,948
Farmers Alliance Mutual Ins. Co.	\$ 75,486	\$ 93,236
<u>Self-Insurers</u>		
State of Kansas Self- Insurance Fund	\$ 594,440	\$ 734,218
Iowa Beef Processors	\$ 224,641	\$ 277,464
Sedgwick County	\$ 32,218	\$ 39,794

2. According to the National Council on Compensation Insurance (NCCI) which is the national rating bureau for all Kansas workers compensation insurance carriers, the elimination of the \$4 million state general fund transfer will increase workers compensation rates charged to employers by 1.5%.

RN:llas
5766

HA
3-1-91
Attachment 4