

Approved

Feb. 4, 1991

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator Joseph Harder, at 11:08 a.m. on January 29, 1991, in Room 123-S of the Capitol.

All members were present except:

Senators Bogina and Parrish, who were excused

Committee staff present:

Diane Duffy, Legislative Research Department
Leah Robinson, Legislative Research Department
Gordon Self, Revisors' Office
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Mr. Gary Stotts, Director of the Budget

Gary Stotts explained the organization of information contained in the various volumes of The Governor's Budget Report, Fiscal Year 1992. He reviewed for the Committee several charts including SGF balances, the Governor's priorities for the budget, and guiding principles for decisions. Mr. Stotts highlighted the \$200,000 transfer of accumulated balances of the Health Promotion Fund to the SGF, the transfer of the \$1.9 million reserve in the Self-Insurance Fund to the SGF, and the changes in the disbursement of the State Gaming Revenue Fund: increasing the CBIF portion of the Gaming Fund to 20%, dedicating 20% of the Gaming Fund to the newly created General Building Fund, and crediting the General Fund with the 60% of the Gaming Fund which was formerly directed to the EDIF.

In answer to a question, Mr. Stotts stated that the 1.5 mill levy would continue to be used for education and state institutions. He said that he did not feel that any of the capital improvement areas were overfunded; the 20% dedicated to the General Building Fund would provide a slightly smaller amount of money than provided through the SIBF.

Senator Winter queried whether there was a plan in the recommendations to fund juvenile detention facilities. Mr. Stotts replied that the money would still be available under the Governor's recommendations, but not allocated for that specific purpose.

Mr. Stotts continued his review of accelerating collections for FY 91, noting two benefits:

- 1) helps the balances coming out of FY 91
- 2) allows flexibility in those balances to deal with the court case involving nursing homes.

He discussed the Governor's plan for broadening the tax plan and the proposed uses for projected revenue receipts. Mr. Stotts stated that because of the revenue package and current resources, the State Pay Plan will be presented as a pay plan revision bill; individual budget bills will include no pay raises.

In answer to a question, Mr. Stotts stated that if only \$200 million is realized through the broadening of the tax base, it is his understanding that the Governor would allocate that amount for property tax relief.

Mr. Stotts, at a member's request, stated that he would provide copies of exhibits used for his presentation. Those exhibits are contained in Attachment 1.

The meeting was adjourned at 12:03 p.m.

SGF Balances

(in millions)

<u>Current</u> <u>Authorized</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receipts in</u> <u>Excess of</u> <u>Expenditures</u>	<u>Ending</u> <u>Balance</u>
FY 1989	\$2,228.3	\$2,159.9	\$68.4	\$371.4
FY 1990	2,300.5	2,400.3	(99.8)	272.9
FY 1991	2,360.6	2,488.5	(127.9)	145.0
FY 1992	2,454.2	2,488.5	(34.3)	110.7
 <u>Estimated</u>				
FY 1989	\$2,228.3	\$2,159.9	\$68.4	\$371.4
FY 1990	2,300.5	2,400.3	(99.8)	272.9
FY 1991	2,360.6	2,501.4	(140.8)	132.1
FY 1992	2,454.2	2,501.4	(47.2)	84.9

SWAM
January 29, 1990
Attachment 1

Health Promotion Fund

* Transfer Portion of Accumulated
Balance to SGF
+ \$200,000

Self-Insurance Fund

* Bond Reserve for Local
Waste Water Treatment
Facilities - Call Bonds on
June 1, 1992
+ \$1.9 Million

State Gaming Revenues Fund

	<u>FY 1991</u>	<u>FY 1992</u>
<i>Revenues</i>		
Lottery Receipts	\$19.53	\$19.98
Racing Receipts	7.13	7.38
<i>Total Receipts</i>	<u>\$26.66</u>	<u>\$27.36</u>
<i>Disbursements</i>		
Corrections Bldg Fund (10%)	\$2.66	\$0
Econ. Dev. Init. Fund (90%)	24.00	0
Corrections Bldg Fund (20%)	0	5.47
General Bldg Fund (20%)	0	5.47
State General Fund (60%)	0	16.42
<i>Total Disbursements</i>	<u>\$26.66</u>	<u>\$27.36</u>
<i>One-Time Transfer</i>		
EDIF Year-end Balance	0	\$4.95
<i>Total State General Fund</i>		\$21.37

Accelerators FY 1991

- Withholding -- + \$8.0 Million
 - Semi-Monthly Filers Treated Same as Federal Gov't
- Mineral Tax -- + \$6.5 Million
 - Pay Within First Month Instead of Second Month
- Financial Inst. -- + \$6.5 Million
 - Quarterly Estimated Filings Similar to Corporate Inst.
- Liquor Enforcement & Private Club Taxes -- + \$800,000
 - Move Payment Day from Last to 25th Day of Month
- TOTAL = \$21.8 Million

Broadening the Tax Base Projected Revenues

(in millions)

<u>PROJECTED STATE REVENUES</u>	<i>Projected FY 1992 Revenue</i>	<i>Projected Annual Revenue</i>
Remove Most Sales Tax Exemptions	\$307.7	\$388.8
Apply Tax to Currently Exempt Services	176.4	282.2
Total	\$484.1	\$671.0
Less Low Income Energy Rebate	(5.7)	(7.0)
<i>Projected Revenue to SGF</i>	\$478.4	\$664.0
<u>PROJECTED LOCAL REVENUES</u> <u>(Local Option Sales Tax in Place)</u>		
Exemptions	\$42.7	\$51.5
Services	44.1	70.6
<i>Projected Local Revenues</i>	\$86.8	\$122.1

State General Fund Summary

(data in millions)

	FY 1991 Governor's <u>Rec.</u>	FY 1992 Current <u>Res.</u>	FY 1992 Broaden <u>Tax Base</u>	FY 1992 Governor's <u>Rec.</u>	FY 1993 <u>Est.</u>
<i>Beginning Balance:</i>					
State General Fund	\$272.9	\$29.3		\$8.8	\$48.8
Cash Operating Reserve		124.6		145.1	159.3
<i>Add:</i>					
Base Revenue Estimate	\$2,360.6	\$2,454.2		\$2,454.2	\$3,074.2
<i>Adjustments:</i>					
State Emergency Fund (from SGF)		(0.2)		(0.2)	0.2
Self-Insurance Fund (to SGF)		1.9		1.9	(1.9)
Health Promotion Funds (to SGF)		0.2		0.2	(0.2)
Econ Develop Initiatives (to SGF)		21.4		21.4	
Revenue Collection Accelerators	21.8			0.0	
Broaden Tax Base			478.4	478.4	193.0*
Total Revenues	\$2,382.4	\$2,477.5	\$478.4	\$2,955.9	\$3,265.3
<i>Less:</i>					
Total Expenditures	\$2,501.4	\$2,491.3	\$410.4	\$2,901.7	\$3,186.1
<i>Included in Total Expend.:</i>					
SGF Incr. from Authorized Property Tax Relief**	12.9		286.5		153.8
<i>Ending Balance</i>	\$153.9	\$140.1	\$68.0	\$208.1	\$287.3
As % of Expenditures	6.2%	5.6%	16.6%	7.2%	9.0%
Required Balance (%)		5.0		5.0	6.0
Required Balance (\$)		124.6		145.1	191.2
<i>Summary Data:</i>					
Revenues Change (%)	3.6%	4.0%		24.1%	10.5%
Revenues Change (\$)	\$81.9	\$95.1		\$573.5	\$309.4
Expenditures Change (%)	4.2%	-0.4%		16.0%	9.8%
Expenditures Change (\$)	\$101.2	(\$10.1)		\$400.3	\$284.4
Revenues minus Expenditures	(\$119.0)	(\$13.8)		\$54.2	\$79.2

Footnotes:

All Gaming revenues are transferred to SGF except 40%, which is proposed as follows: additional 10% (\$2.74) to CIBF and 20% (\$5.47) to newly created General Facilities Building Fund. The EDIF Fund is abolished.

* \$185.6 million balance of \$664.0 million annual estimated collection plus four percent

** An additional \$122.1 million of revenues are estimated to be produced during FY 1992 and FY 1993 for those local units having a local option sales tax in place. This amount, in conjunction with the annualized additional amounts proposed for distribution through the state budget, provides property tax relief opportunities totaling \$581.7 million over three fiscal years.

Broadening the Tax Base State Budget

(in millions)

	<u>FY 1992</u>	<u>FY 1993</u> <u>Increase</u>	<u>Annualized</u> <u>Revenues</u>
Estimated Revenues to SGF *	\$478.4 **	\$185.6 **	\$664.0
 <i>Governor's Rec. Use of Revenues:</i>			
PROPERTY TAX RELIEF:			
Property Tax Reduction	\$236.0	\$125.0 ***	\$361.0
Reduction or Avoidance of Increases	50.5	28.8	98.6 ****
SUBTOTAL PROPERTY TAX RELIEF	\$286.5	\$153.8	\$459.6 ****
 OTHER USES:			
SRS Assistance	\$50.4		
Regents Base and Margin of Exc.	23.8		
State Employee Pay Plan	30.6		
Other Assistance	4.5		
Other State Operations	14.6		
SUBTOTAL OTHER USES	\$123.9		
 TOTAL REC. EXPENDITURES	 \$410.4		
To SGF Balance	68.0		
 <i>TOTAL USE OF REVENUES</i>	 \$478.4		

* Revenue estimates after expanded low income sales tax rebate

** Assumes July 1, 1991 effective date

*** Subject to revenues being received as estimated

**** Includes \$19.3 million FY 1994 increase in CCRS as a result of broadening base

Property Tax Relief Summary

(in millions)

<u>STATE BUDGET</u>	<u>FY 1992</u>	<u>FY 1993 Increase</u>	<u>Annualized</u>
SD Equalization Aid	\$161.0		\$161.0
SD Ad Valorem Tax Reduction Fund	70.0		70.0
State Assumption of County Comm.			
College Out-District Aid	5.0	5.1	10.1
City-County Rev. Sharing			
(Current Law/Taxbase)	1.1		1.1
Local Ad Valorem Tax Reduction Fund			
(Current Law/Taxbase)	1.5		1.5
Local Ad Valorem Tax Reduction Fund			
(Broaden Base)	5.0	24.9	29.9
City-County Revenue Sharing			
(Broaden Base)	0.0	3.9	23.2 *
Special City-County			
(Current Law/Taxbase)	0.4		0.4
County Reappraisal Maintenance Aid	3.0		3.0
USD Income Tax Rebate	14.2		14.2
Special Education Aid	10.6		10.6
Transportation Aid	6.9		6.9
Community College Aid	2.6		2.6
Washburn University Aid	1.1		1.1
Area Vocational-Technical School Aid	2.4		2.4
At Risk/Innovative Programs	1.0		1.0
Ft. Leavenworth USD	0.5		0.5
Parent Education Program	0.2		0.2
FY 1993 Initiatives	0.0	119.9	119.9
<i>SUBTOTAL - STATE BUDGET</i>	<u>\$286.5</u>	<u>\$153.8</u>	<u>\$459.6 *</u>
<i>DIRECT LOCAL REVENUES</i>			
Local Option Sales Tax	\$86.8	\$35.3	\$122.1
<i>TOTAL PROPERTY TAX RELIEF</i>	<u>\$373.3</u>	<u>\$189.1</u>	<u>\$581.7 *</u>

* Includes \$19.3 million FY 1994 increase in CCRS as a result of broadening base.

Summary SGF Increase

FY 1992 From FY 1991

	<u>Millions</u>	<u>Percent</u>
Governor's Rec. FY 1992	\$2,901.7	
Governor's Rec. FY 1991	<u>2,501.4</u>	
<i>Increase FY 1992 From FY 1991</i>	\$400.3	16.0%
Property Tax Relief	<u>(286.6)</u>	
<i>Increase FY 1992 From FY 1991</i>	\$113.7	4.5%
Maintenance of SRS Aid & Assistance	<u>(50.4)</u>	
<i>Increase FY 1992 From FY 1991</i>	\$63.3	2.5%
Regents Base and Margin of Exc.	<u>(23.8)</u>	
<i>Increase FY 1992 From FY 1991</i>	\$39.5	1.6%
State Employee Pay Plan (w/ Regents)	<u>(30.6)</u>	
<i>Increase FY 1992 From FY 1991</i>	\$8.9	0.4%
Eldorado Correctional Fac & Larned Correctional Mental Health Fac.	<u>(12.8)</u>	
<i>Decrease FY 1992 From FY 1991</i>	(\$3.9)	-0.2%

State General Fund Summary

(data in millions)

	FY 1991 Governor's Recommended	FY 1992 Current Resources	FY 1992 Broaden Tax Base	FY 1992 Governor's Recommended	FY 1993 Current Dollars
Beginning Balance:					
State General Fund	\$272.9	\$29.3		\$8.8	\$48.8
Cash Operating Reserve		124.6		145.1	159.3
Add:					
Base Revenue Estimate	\$2,360.6	\$2,454.2		\$2,454.2	\$2,454.2
Adjustments:					
State Emergency Fund--from SGF		(0.2)		(0.2)	0.2
Self-Insurance Fund--to SGF		1.9		1.9	(1.9)
Health Promotion Funds-- to SGF		0.2		0.2	(0.2)
Econ Develop Initiatives--to SGF		21.4		21.4	21.4
Revenue Collection Accelerators	21.8				
Broaden Tax Base			478.4	478.4	664.0
Total Revenues	\$2,382.4	\$2,477.5	\$478.4	\$2,955.9	\$3,137.7
Less:					
Base Expenditures	\$2,501.3	\$2,491.3		\$2,491.3	\$2,491.3
Property Tax Relief Initiatives*			\$286.5	286.5	440.3
SRS Programs			50.4	50.4	50.4
Regents Margin of Excellence and Base			23.7	23.7	23.7
State Employee Salary Plan			30.6	30.6	37.5
Workers' Comp. Demand Transfer			4.0	4.0	4.0
Water Plan			3.0	3.0	3.0
Commerce (Econ. Dev. Programs)			4.9	4.9	4.9
Medical Center Fee Fund Shift			4.0	4.0	4.0
Pres. Primary and Columbus Day			1.3	1.3	--
Legislative Computerization			0.9	0.9	0.9
Public Initiative and Referendum			0.2	0.2	0.2
Arts Grants			0.5	0.5	0.5
Tax Change Administration	0.1		0.4	0.4	0.4
Total Expenditures	\$2,501.4	\$2,491.3	\$410.4	\$2,901.7	\$3,061.1
Ending Balance	\$153.9	\$140.1	\$68.0	\$208.1	\$284.7
As % of Expenditures	6.2%	5.6%	16.6%	7.2%	9.3%
Required Balance (%)		5.0		5.0	6.0
Required Balance (\$)		124.6		145.1	183.7
Summary Data					
Revenues Change (%)	3.6%	4.0%		24.1%	6.1%
Revenues Change (\$)	\$81.9	\$95.1		\$573.5	\$181.8
Expenditures Change (%)	4.2%	-0.4%		16.0%	5.5%
Expenditures Change (\$)	\$101.2	(\$10.1)		\$400.4	\$159.4
Revenues minus Expenditures	(\$119.0)	(\$13.8)		\$54.2	\$76.6

Footnotes:

All Gaming revenues are transferred to SGF except 40%, which is proposed as follows: additional 10% (\$2.74) to CIBF and 20% (\$5.47) to newly created General Facilities Building Fund. The EDIF Fund is abolished.

* An additional \$122.1 million of revenues are estimated to be produced during FY 1992 and FY 1993 for those local units having a local option sales tax in place. This amount, in conjunction with the annualized additional amounts proposed for distribution through the state budget, provides property tax relief opportunities totaling \$581.7 million over three fiscal years. Does not include \$19.3 of FY 1994 increase in CCRS as result of broadening the tax base.

Broadening the Tax Base (in thousands)

(Columns may not add due to rounding)

	<u>FY 1992</u>	<u>Percent of Revenue</u>	<u>FY 1993 Current Dollars</u>	<u>Percent of Revenue</u>	<u>Annualized Effect</u>	<u>Percent of Revenue</u>
STATE BUDGET SUMMARY						
Estimated Revenues to State General Fund *	\$478,400 **		\$664,000		\$664,000	
Governor's Recommended Use of Revenues						
PROPERTY TAX RELIEF						
PROPERTY TAX REDUCTION						
SDEA	\$161,000	33.65%	\$161,000	24.25%	\$161,000	24.25%
SDAVTR	70,000	14.63	70,000	10.54	70,000	10.54
Assumption of Comm. Coll. Out-District	5,054	1.06	10,108	1.52	10,108	1.52
FY 1993 Initiatives	—	—	119,946 ***	—	119,946 ***	18.06
SUBTOTAL - PROP. TAX REDUCTION	\$236,054	49.34%	\$361,054	54.38%	\$361,054	54.38%
REDUCTION OR AVOIDANCE OF PROPERTY TAX INCREASES						
<i>Aid to Local Units</i>						
CCRS (Current Law/Taxbase)	\$1,110	0.23%	\$1,110	0.17%	\$1,110	0.17%
LAVTR (Current Law/Taxbase)	1,532	0.32	1,532	0.23	1,532	0.23
LAVTR (Broaden Base)	4,980	1.04	29,880	4.50	29,880	4.50
CCRS (Broaden Base)	0	0.00	3,873	0.58	23,240 ****	3.50
Special City-County (Current Law/Taxbase)	373	0.08	373	0.06	373	0.06
County Reappraisal Maintenance Aid	3,000	0.63	3,000	0.45	3,000	0.45
School District Income Tax Rebate	14,180	2.96	14,180	2.14	14,180	2.14
Special Education Aid	10,645	2.23	10,645	1.60	10,645	1.60
Transportation Aid	6,866	1.44	6,866	1.03	6,866	1.03
Community College Aid	2,610	0.55	2,610	0.39	2,610	0.39
Washburn University Aid	1,061	0.22	1,061	0.16	1,061	0.16
AVTS Aid	2,432	0.51	2,432	0.37	2,432	0.37
At Risk/Innovative Programs	1,000	0.21	1,000	0.15	1,000	0.15
Ft. Leavenworth School District	539	0.11	539	0.08	539	0.08
Parent Education Program	200	0.04	200	0.03	200	0.03
SUBTOTAL - AVOIDANCE OF INCR.	\$50,528	10.56%	\$79,301	11.94%	\$98,668	14.86%
TOTAL PROPERTY TAX RELIEF	\$286,582	59.90%	\$440,355	66.32%	\$459,722	69.24%

Broadening the Tax Base (in thousands)

(Columns may not add due to rounding)

	<u>FY 1992</u>	<u>Percent of Revenue</u>	<u>FY 1993 Current Dollars</u>	<u>Percent of Revenue</u>	<u>Annualized Effect</u>	<u>Percent of Revenue</u>
OTHER USE DETAIL						
Other Assistance, Grants and Benefits						
Maintenance of SRS Assistance Programs						
Medically Needy Families	\$1,626	0.34%	\$1,626	0.24%	\$1,626	0.24%
Medically Needy Aged and Disabled	6,840	1.43	6,840	1.03	6,840	1.03
Selected Optional Medicaid	14,238	2.98	14,238	2.14	14,238	2.14
Medical Provider Rates	7,566	1.58	7,566	1.14	7,566	1.14
General Assistance/Medikan	11,027	2.30	11,027	1.66	11,027	1.66
Emergency Assistance	213	0.04	213	0.03	213	0.03
Burial Assistance	789	0.16	789	0.12	789	0.12
Cash Grant Restoration	4,209	0.88	4,209	0.63	4,209	0.63
Mental Health Reform	2,325	0.49	2,325	0.35	2,325	0.35
Community Mental Retardation						
Special Purpose Grants	1,593	0.33	1,593	0.24	1,593	0.24
Subtotal - SRS Programs	\$50,426	10.54%	\$50,426	7.59%	\$50,426	7.59%
Worker's Comp. Demand Transfer	4,000	0.84	4,000	0.60	4,000	0.60
Arts Grants	450	0.09	450	0.07	450	0.07
State Operations						
State Employee Salary Plan	30,599	6.40	37,499	5.65	37,499	5.65
Regents Margin of Excellence and Base Adjustments	23,719	4.96	23,719	3.57	23,719	3.57
Commerce (Econ. Dev. Programs)	4,891	1.02	4,891	0.74	4,891	0.74
Medical Center Fee Fund Shift	4,000	0.84	4,000	0.60	4,000	0.60
Water Plan	3,000	0.63	3,000	0.45	3,000	0.45
Pres. Primary and Columbus Day	1,250	0.26	--	0.00	--	--
Public Initiative and Referendum	150	0.03	150	0.02	150	0.02
Legislative Computerization	918	0.19	918	0.14	918	0.14
Tax Change Administration	425	0.09	425	0.06	425	0.06
SUBTOTAL - OTHER USE OF REVENUE	\$123,828	25.88%	\$129,478	19.50%	\$129,478	19.50%
TOTAL RECOMMENDED USE	\$410,410	85.79%	\$569,833	85.82%	\$589,200	88.73%
General Fund Balances	67,990	14.21	94,167	14.18	74,800	11.27
TOTAL USE OF SGF REVENUES	\$478,400	100.00%	\$664,000	100.00%	\$664,000	100.00%

* Revenue estimates after expanded low income sales tax rebate

** Assumes July 1, 1991 effective date

*** Subject to revenues being received as estimated

**** Includes FY 1994 increase of \$19.3 million in CCRS as a result of broadening the tax base