

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on February 20, 1995 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Eric Milstead, Legislative Research Department
Patricia Pierron, Legislative Research Department
Tim Colton, Legislative Research Department
Leah Robinson, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Thomas Shea, Treasurer, Western Resources
Cynthia Gallagher, Southwestern Bell
Robert North, Staff Attorney, Department of Administration
Jamie Corkhill, Staff Attorney for Child Support Enforcement, SRS
Doug Craig, Division of Accounts and Reports, Department of Administration

Others attending: See attached list

Senator Kerr moved, Senator Vancrum seconded that 5 RS 1133 be introduced as requested by the Department of Revenue. The motion carried on a voice vote.

SB 178: Appropriations for FY 96, capital improvements for various state agencies

Chairman Bogina reviewed the subcommittee's recommendations for capital improvements in FY 95 and FY 96 (Attachment 1). Senator Karr, a member of the subcommittee, noted that it was the subcommittee's intent that any balance in the contingency funds used for construction at the State Historical Society (Attachment 1-9) be used for maintenance on existing buildings, especially the joint sealing at the Museum of History. Staff noted that it was not known at this time whether there would be a balance in those funds. In answer to a question, staff advised that improvements at historic sites have been funded through the EDIF in the past, but the funding source for maintenance has not been the EDIF.

In answer to Senator Moran, the Chairman stated that the agency's request for \$6,444,000 from the SGF to construct housing units for the civilly committed sexual predators at Larned Correctional Mental Health Facility was not recommended because it was too expensive and because the subcommittee preferred to wait for an overall evaluation of the facilities and their potential uses. He noted that the subcommittee proviso which calls for a feasibility study of various facilities is more restrictive than the Governor's recommendation. In answer to Senator Petty, the Chairman stated that the Department of Corrections plans to house sexual predators in a correctional facility rather than in an SRS facility.

It was moved by Senator Karr and seconded by Senator Rock that the subcommittee report for capital improvements be adopted. The motion carried on a voice vote.

Senator Lawrence moved, Senator Rock seconded, that SB 178 as amended be recommended favorable for passage. The motion carried on a roll call vote.

SB 80: Appropriations for FY 96, state library, arts commission, school for the blind, school for the deaf, historical society, council on vocational education and department of administration

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 20, 1995.

The Chairman reminded members that all sections of **SB 80** except the State Library had been reviewed during the February 9 meeting of Ways and Means. Senator Vancrum presented the FY 95 and FY 96 subcommittee report for the State Library (Attachment 2).

In discussing the recommendations for FY 95, Senator Vancrum presented an overview of events leading to the change of policy of DISC charges for the "800" number for the INK and INTERNET access in December, 1994 (Item 1, Attachment 2-2). Concern was expressed regarding the subcommittee's recommendation to develop a tiered system of charging for access and time the system was used, specifically who would pay the higher rates and if there would be any oversight of the charges. In answer to concerns, Senator Vancrum stated that the agency believes that \$100,000 is sufficient to cover on-line access for local libraries through FY 95. Senator Rock, a member of the subcommittee, told Committee members that the subcommittee had made it clear that the state will not subsidize this program indefinitely and that it will be INK's responsibility to develop a charge system.

In discussing the recommendations for FY 96, Senator Vancrum stated that \$211,200 (item 3, Attachment 2-6), is based on a six cents per minute line access charge. He stated that DISC believes that the telephone line costs can be reduced from 12 cents to 6 cents per minute following renegotiation of the 800 line.

Senator Vancrum moved, Senator Rock seconded that the FY 96 subcommittee report be technically amended to reflect the subcommittee's adjustments to state operations in the amount of \$36,030; aid to local units as \$211,200; and the total as \$175,170. The motion carried on a voice vote.

Senator Vancrum moved, Senator Rock seconded, that the FY 96 subcommittee report be amended by recommending the introduction of a bill that would name Stormont Vail the administrator of a library trust fund. The motion carried on a voice vote.

It was moved by Senator Vancrum and seconded by Senator Rock that the FY 95 and FY 96 subcommittee report for capital improvements be adopted. The motion carried on a voice vote.

It was noted by staff that savings for utilities in the FY 95 subcommittee report on the School for the Deaf was overstated by \$3,000 and this amount should be reflected in the FY 96 appropriation. Senator Salisbury moved, Senator Morris seconded that the subcommittee reports for the School for the Deaf be amended to reflect this technical adjustment and that the amended subcommittee reports be adopted. The motion carried on a voice vote.

Senator Rock moved, Senator Salisbury seconded, that SB 80 as amended be recommended favorable for passage. The motion carried on a roll call vote.

SB 143: Appropriations for FY 95 and FY 96, for a capital improvement project for Wichita state university

It was moved by Senator Lawrence and seconded by Senator Salisbury that SB 143 be amended by deleting Section 2 (b) which provides authorization to make expenditures to raze portions of Cessna Stadium. The motion carried on a voice vote.

Senator Lawrence moved, Senator Salisbury seconded, that SB 143 as amended be recommended favorable for passage. The motion carried on a roll call vote.

SB 277: Debts owed to the state, collection of; prompt payment of obligations of the state; data for debt collection; penalties and collection fees

Mr. Thomas Shea, Treasurer of Western Resources, testified as a proponent of **SB 277** and reviewed his written testimony (Attachment 3). In answer to a question, Mr. Shea stated that any fees imposed by the collection agency plus 1% interest would be passed on to the debtor. Some members expressed concern about billing practices of various agencies, and queried whether there was any limit on the amount that would be passed on to the debtor. Senator Rock expressed concern that the proposed legislation might diminish the agency's effort to collect. Senator Salisbury asked under what conditions an agency would have the option of compromising or waiving interest penalties. Robert North, attorney for the Department of Administration,

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 20, 1995.

stated that an agency might compromise or waive interest penalties if a debtor agreed to pay 100% of the debt.

Ms. Cynthia Gallagher, area manager for Southwestern Bell and co-Chair of Reinventing Kansas Government, presented testimony in support of **SB 277** (Attachment 4).

Mr. Robert North, attorney with the Department of Administration, appeared before the Committee in support of **SB 277** (Attachment 5). He concurred with the suggestion that a cap be placed on the cost of collections that is passed on to debtors. Senator Karr noted that the original setoff program included state agencies, municipalities, counties, etc. and expressed concern about who would be impacted by this proposed legislation. Mr. Craig stated that though municipalities are included in the setoff program, interest and penalties are applied only to state debts.

The Chairman requested that conferees review the bill and make possible amendments to address the following concerns:

- * requiring a reasonable effort on the part of the agency toward making the collection
- * capping the amount of the collection costs that are passed on to the debtor
- * more clearly defining "state agency"

Jamie Corkhill, Child Support Enforcement Program, Department of Social and Rehabilitation Services, appeared before the Committee and testified as a proponent for **SB 277** (Attachment 6). In answer to a question, Ms. Corkhill stated that interest on late child support is built into the statute. She stated that currently Child Support Enforcement data cannot be matched with data collected by the Department of Revenue. In answer to a question, she told members that it would not be in the best interest of the Department to have prejudgment interest and staff would be encouraged to negotiate in such instances. Ms. Corkhill stated that the Department contracts with a collection agency which charges 17%. She supported an amendment which would cap collection costs.

SB 283: Debts owed to state; debt setoff and collection

Mr. Thomas Shea distributed and reviewed his written testimony in support of **SB 283** (Attachment 7). In answer to a concern, Mr. Shea stated that if a professional or business license is required by a sole source provider, that person may enter into an agreement for repayment and not lose the license.

Ms. Cynthia Gallagher presented written testimony in support of **SB 283** (Attachment 8).

Mr. Doug Craig testified as a proponent for **SB 283** and reviewed his written testimony (Attachment 9). In answer to questions, he explained that the Department of Administration would ask for a mailing label from the licensing board to match against a debtor file. The Department would advise the licensing board to not renew the license only if the debtor refuses to make arrangements for payment. In answer to concerns about staffing and funding to cover nonrenewal costs for each of the licensing agencies, it was stated that the intent of the language on page 6, line 33 is that the hearing will be held within the Department of Administration's setoff program and would negate independent hearings by each licensing board. It was noted that all 28 licensing boards' statutes were amended in the bill.

The Chairman told members that **SB 277 and SB 283** would be taken under advisement. The meeting was adjourned at 12:55 P.M. The next meeting is scheduled for February 21, 1995.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: FEBRUARY 20, 1995

| NAME | REPRESENTING |
|--------------------|--|
| Bob North | DoA, Legal |
| Art Griegas | Dept. of Adm. |
| Jamie Corkhill | SRS/CSE |
| Bill Watts | KDOT |
| Mike Lackey | KDOT |
| Dick Koertl | KDWP |
| Zer Vogl | Div of Purchases |
| Pat Higgins | DoA |
| John W. Smith | KDOR DMV |
| Roger Rosker | ASR - DoA |
| Cyndi Gallagher | Southwestern Bell Telco |
| Doug CRAIG | ASR DoA |
| Craig Liening | Western Resources, Inc |
| Tom SHEA | WESTERN RESOURCES, INC |
| GERALD SCHOEWECKER | SRS |
| Lynn Stenett | SRS / Adm. SRS. |
| Elwaine F Pomeroy | Kansas Collectors Ass'n Inc Kansas Credit Attorneys Ass'n |
| Jeff Wagoner | DoA |
| Kelly Jennings | KAPC |

**SUBCOMMITTEE REPORT
ON SENATE BILL 178**

CAPITAL IMPROVEMENT PROJECTS

SECTION 2 - STATE FAIR BOARD

SECTION 3 - KANSAS WATER OFFICE

SECTION 4 - DEPT. OF SOCIAL AND REHABILITATION SERVICES

SECTION 5 - OSAWATOMIE STATE HOSPITAL

SECTION 6 - TOPEKA STATE HOSPITAL

SECTION 7 - LARNED STATE HOSPITAL

SECTION 8 - KANSAS STATE SCHOOL FOR THE BLIND

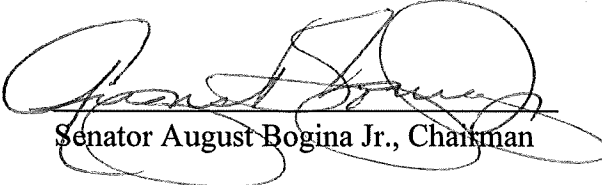
SECTION 9 - KANSAS STATE SCHOOL FOR THE DEAF

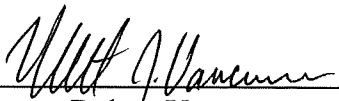
SECTION 10 - DEPT. OF CORRECTIONS

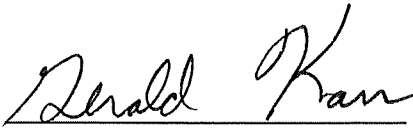
SECTION 11 - DEPT. OF WILDLIFE AND PARKS

SECTION 12 - STATE HISTORICAL SOCIETY

NEW SECTION - BOARD OF AGRICULTURE


Senator August Bogina Jr., Chairman


Senator Robert Vancrum


Senator Gerald Karr

SWAM
February 20, 1995
Attachment 1

Agency Request/Governor's RecommendationSenate Subcommittee AdjustmentsHouse Subcommittee Adjustments**Sec. 2 -- Kansas State Fair**

1. The Fair requests FY 1996 expenditures of \$150,000 for repair and rehabilitation projects at the fairgrounds. The projects include the upgrading of the primary electrical service power of the physical plant; asphalt paving and repairs; a secondary electrical upgrade; a plumbing upgrade; the installation of unit heaters and ventilation fans; maintenance contract expenditures; and other miscellaneous projects. Funding is from the State Fair Capital Improvements Fund. The Governor recommends \$130,000 in funding for this project.

2. The agency requests \$100,000 for the second phase of construction of a new horse stall barn. The project is a four-phase project. The first phase of the project was funded with \$81,543 from the State Fair Capital Improvements Fund, and a \$37,125 Tourism Attractions Grant from the Kansas Department of Commerce and Housing. The Fair is in the process of reapplying for such a grant for FY 1996. FY 1996 funding would come from the State Fair Capital Improvements Fund (\$62,875), and the Tourism Challenge Grant (\$37,125). Each of the four phases of the project would add 28 horse stalls to the Fair's facilities. According to the Fair, it receives considerable criticism for its lack of horse stalls during the Fair, especially the 4-H State Horse Show. The Governor recommends funding for the project, contingent upon receipt of the Tourism Challenge Grant by the Fair.

3. The agency requests \$95,000 from the State General Fund for projects that would bring it into compliance with requirements of the Americans with Disabilities Act (ADA) and the federal Environmental Protection Agency (EPA). The agency requests funding from the State General Fund because of limited available funding from the State Fair Capital Improvements Fund. The proposed projects, and their cost, are as follows:

1. Concur.

2. Since the agency did not receive the Tourism Challenge Grant from the Department of Commerce and Housing, the Senate Subcommittee recommends that the \$62,875 from the State Fair Capital Improvements Fund be used towards installation of an elevator for the State Fair's grandstand. The elevator would put the agency into compliance with the Americans with Disabilities Act (ADA).

3. The Senate Ways and Means Committee has recommended \$20,000 from the State General Fund for the replacement of gas storage tanks in its deliberations on 1995 Senate Bill 153.

The Senate Subcommittee recommends that the agency use the \$62,875 intended for the horse barn, along with an additional \$12,125 from the State Fair Capital Improvements Fund, in order

Agency Request/Governor's Recommendation

Senate Subcommittee Adjustments

House Subcommittee Adjustments

| <u>Project</u> | <u>Cost</u> |
|--|-------------------|
| Elevator for Grandstand Second-Story Access | \$ 75,000 |
| Gas-Storage Tanks | 25,000 |
| TOTAL | \$ 100,000 |

to install a grandstand elevator and bring the agency into ADA compliance.

The Governor recommends no funding for these projects.

4. The agency requests \$80,000 from its Capital Improvements Principal and Interest Fund for payment of the principal portion of debt service on bonds issued in 1989 to finance renovation to the State Fair grandstand. FY 1996 interest on the debt service (an operating expenditure) will equal \$29,683, for debt service totalling \$109,683. The Governor concurs.

4. The Senate Subcommittee concurs.

Sec. 3 -- Kansas Water Office

The Governor concurs with the agency request and recommends reappropriation language with regard to the water supply acquisition account to reappropriate any unencumbered balance to FY 1996. The 1994 Legislature appropriated \$13.6 million from the State General Fund for capital improvement expenditures to purchase water storage in several Kansas reservoirs operated by the federal government. The reappropriation language will allow for continued contract negotiations between the Kansas Water Office and the U.S. Army Corps of Engineers.

The Senate Subcommittee concurs with the Governor's recommendation.

Sec. 4 -- Department of Social and Rehabilitation Services

The agency requests FY 1996 funding of \$42.3 million for six capital improvement projects. The request includes \$27.3 million from the State Institutions Building Fund (SIBF) for institutional rehabilitation and repair projects (\$27,145,900) and to raze Rush and Pinel buildings at Larned State

The Senate Subcommittee concurs with the Governor's recommendation with the following observation:

1. The Senate Subcommittee's recommendation on Larned State Hospital includes authority to raze Rush and Pinel buildings.

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Agency Request/Governor's Recommendation

Senate Subcommittee Adjustments

House Subcommittee Adjustments

Hospital (\$135,000). \$295,488 from special revenue funds is requested for rehabilitation and repair at the Chanute Office Building and the State Complex West in Topeka. State General Fund financing of \$14.8 million is requested to remodel the Chanute Office Building (\$1,342,800) and to construct a new office and training facility on the grounds of Topeka State Hospital (\$13,426,700).

The Governor recommends \$5,045,488 for FY 1996 capital improvements. The recommendation includes \$295,488 from special revenue funds for rehabilitation and repair projects at agency office facilities as requested by SRS and \$4,750,000 from the SIBF for institutional rehabilitation and repair projects.

Sec. 5 -- Osawatomie State Hospital

The agency is requesting authority to raze the DeJong building, the west greenhouse and palmhouse in FY 1996. The DeJong building was built in 1902 and is currently occupied by SRS. The building will be vacated in FY 1995. According to the agency, this building is badly in need of repair but that repair would not be cost effective. Both the greenhouse and palmhouse were built in 1928 and according to the agency, are collapsing and causing a safety hazard. The agency will use money from the Rehabilitation and Repair Fund to fund these projects.

The Governor recommends razing the Greenhouse but did not make a recommendation to raze the other two buildings.

Sec. 6 -- Topeka State Hospital

The agency is requesting authority to raze several buildings in FY 1996. These structures include: 3 engineering garages built in 1939; 2 staff houses built in 1947; two bus stop shelters built in 1982 and 1983

The Senate Subcommittee concurs with the Governor's recommendation with the following changes:

1. The Subcommittee recommends razing the palmhouse in addition to the greenhouse.
2. The Subcommittee recommends the agency report to the Joint Committee on State Building Construction regarding other possible uses for the DeJong building before the razing project is initiated.

The Senate Subcommittee concurs with the Governor with the following change:

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Agency Request/Governor's Recommendation

(no longer used); and a storage building built in 1950. The agency plans to use Rehabilitation and Repair funds for these projects. The Governor concurs with the agency's request to raze these buildings.

Sec. 7 -- Larned State Hospital

The agency is requesting authority to raze Rush and Pinel buildings. The agency reports that the buildings were replaced by the Adult and Adolescent Treatment Center in 1990 due to their age, condition, and design. Renovation costs to restore the buildings for patient treatment and living are deemed to be excessive. The project will also require the construction of approximately 85 feet of utility tunnel to replace the space through Pinel basement which provides steam, condensate return, hot water and primary electric transmission to Sellers building. The agency plans to use Rehabilitation and Repair funds for this project. The Governor does not recommend the razing of these two buildings.

Sec. 8 -- School for the Blind

1. The School requests \$58,270 in FY 1996 for rehabilitation and repair. Examples of such expenditures are the repair or replacement of hot water tanks, building or sidewalk faults, emergency equipment, heat lines to buildings, electrical and plumbing systems, etc. The Governor recommends \$58,270 for FY 1996 major maintenance.

2. The School requests \$38,849 in FY 1996 to renovate the indoor swimming pool. The pool will be drained and sandblasted, recessed ladders will be installed, a lift will be installed to comply with ADA standards, and the pool will be repainted and striped. The Governor recommends \$38,849 for this request.

Senate Subcommittee Adjustments

1. The Senate Subcommittee recommends the agency report to the Joint Committee on State Building Construction regarding other uses for the buildings and the feasibility of renovation before razing the buildings.

The Senate Subcommittee recommends razing Rush and Pinel buildings with the following proviso:

1. The agency is to report to the Joint Committee on State Building Construction on the other possible uses for these buildings and the feasibility of renovation of the buildings before any razing projects are initiated.

House Subcommittee Adjustments

1. The Subcommittee concurs with the Governor and the Joint Committee on State Building Construction in recommending \$58,270 for funding of this request.

2. The Subcommittee concurs with the Governor and the Joint Committee on State Building Construction in recommending \$38,849 for this request.

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Agency Request/Governor's RecommendationSenate Subcommittee AdjustmentsHouse Subcommittee Adjustments

3. The School requests \$86,500 in FY 1996 to replace the roof on the Vogel School Building. The roof is beginning to leak and the School anticipates serious leakage problems in the near future. The Governor concurs.

4. The School requests \$23,540 in FY 1996 to replace three hot water tanks which do not meet ASME certification as required by the Kansas Department of Health and Environment. The Governor concurs with the request.

5. The School requests \$2,100,000 for FY 1996 for the second year of a three-year appropriation to construct a new student residence and dining facility. The 1994 Legislature approved a multiyear appropriation from the State Institutions Building Fund for the construction.

Sec. 9 -- School for the Deaf

1. An appropriation of \$75,000 is requested in FY 1996 for rehabilitation and repair. Examples include repair of condensate pumps, hot water tanks, electrical motors, plaster, control valves for heating and cooling systems etc. The Governor recommends \$85,000, an increase of \$10,000 above the agency's request.

2. The School requests \$114,000 in FY 1996 for the first year of a four-year project to install air conditioning in the Roth Dormitories and the Roberts School. The School anticipates its current 11-month program to expand to 12 months in the future. During late spring through early fall students are unable to find relief from the heat in the Roberts classroom building or in the Roth dormitories, neither of which are air conditioned. The system the School is proposing is less expensive to install than past proposals and can be controlled to operate more efficiently by being able to cool only the rooms that

3. The Subcommittee concurs with the Governor and the Joint Committee on State Building Construction in recommending \$86,500 for this request.

4. The Subcommittee concurs with the Governor and the Joint Committee on State Building Construction in recommending \$23,540 for this request.

5. The Subcommittee concurs with both the Governor and the Joint Committee on State Building Construction in funding the request.

1. The Subcommittee concurs with both the Governor and the Joint Committee on State Building Construction and recommends \$85,000.

2. The Subcommittee concurs with the Joint Committee on State Building Construction's recommendation to fund the School's request for \$114,000 for air conditioning.

Agency Request/Governor's Recommendation

Senate Subcommittee Adjustments

House Subcommittee Adjustments

are in use. The Governor does not recommend funding for this request.

3. The School requests \$120,000 in FY 1996 to repair and resurface parking lots. Both lots needing repair (one north of the new elementary building and one at the rear main entrance) have required patching during the last 20 years, but according to the School, the damaging rains of 1993 have resulted in more extensive repair needs. The Governor does not recommend funding for this request.

4. The School requests \$25,000 to replace the roof on the lower level of Taylor Gym. This section of the building, which houses dressing rooms, physical education equipment, and wrestling/archery area, has been patched and repaired several times. The Governor does not recommend specific funding for this project.

5. The School requests \$47,300 for the second year of a multi-year project to remove asbestos. The total project is estimated to cost \$402,900 by the end of the project. The plan is to remove asbestos in areas occupied by students first and then to remove asbestos from areas occupied by staff. The Governor does not recommend funding for this project.

6. The School requests \$400,000 for FY 1996 for the fourth year of a multiyear appropriation for the elementary school and dormitory construction project. The 1992 Legislature approved the multiyear appropriation.

3. The Subcommittee concurs with the Governor's recommendation and does not recommend funding for this request.

4. The Subcommittee concurs with the Joint Committee on State Building Construction and recommends funding of \$25,000 for this request.

5. The Subcommittee does not recommend funding for this project.

6. The Subcommittee concurs with both the Governor and the Joint Committee on State Building Construction in funding this request.

Sec. 10 -- Department of Corrections

The agency requests total capital improvement expenditures of \$35,920,918 in FY 1996. The request includes \$30,933,000 from the State General Fund and \$4,987,918 from other funds. Specific items in the request include:

The Senate Subcommittee concurs with the recommendations of the Governor.

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- \$4,040,538 from the Correctional Institutions Building Fund (CIBF) for rehabilitation and repair projects at various correctional facilities;
- \$18,174,000 from the State General Fund to construct two new housing units at the El Dorado Correctional Facility;
- \$6,444,000 from the State General Fund to construct housing units for civilly committed sexual predators at Larned Correctional Mental Health Facility;
- \$262,376 from the CIBF for expansion of the General Services Building at Topeka Correctional Facility;
- \$685,004 from the CIBF for infirmary expansion at Hutchinson Correctional Facility;
- \$1,500,000 from the State General Fund for planning a new Reception and Diagnostic Unit; and
- \$4,815,000 from the State General Fund for debt service principal payments on the El Dorado, Larned, Ellsworth, and Wichita Work Release Facilities.

The Governor recommends total FY 1996 expenditures of \$9,822,918 for capital improvements, a reduction of \$26,098,000 from the amount requested by the agency. The Governor recommends \$4,725,542 from the CIBF for rehabilitation and repair projects, including funding of \$685,004 for infirmary expansion at Hutchinson Correctional Facility. The recommendation also includes \$262,376 from the CIBF to expand the General Services Building at Topeka Correctional Facility. The only other item recommended by the Governor

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Senate Subcommittee Adjustments

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is \$4,835,000 from the State General Fund for debt service principal payments.

Sec. 11 -- Department of Wildlife and Parks

The agency requested \$3.5 million (SGF) for flood repair in FY 1996. The Governor recommends a total of \$750,000 (\$650,000 State General Fund and \$100,000 State Budget Stabilization Fund) for flood damage repair at the state parks and public lands due to the 1993 flooding. Also, the Governor recommends \$1.35 million from the State Highway Fund for maintenance of the access roads in the state parks. The agency had requested \$1.5 million in FY 1996 for access road repair.

As a technical adjustment, delete the Wildlife and Parks section from this bill, with the understanding that this section will be placed in the regular appropriation bill for Wildlife and Parks (H.B. 2265).

Also, the Senate Subcommittee urges the Department to maximize the use of federal dollars in the flood repair effort. The Subcommittee believes that the federal government has been overly restrictive with the Department in determining what is an approved expenditure. In their flood repair efforts, the Department should hoard its State General Fund dollars and spend federal funds to the maximum extent.

Sec. 12 -- State Historical Society

1. The agency requests \$125,000 from the Economic Development Initiatives Fund (EDIF) for emergency repairs and cyclical maintenance. Emergency repairs are projects which require immediate attention due to failure. Cyclical maintenance consists of projects to address building elements nearing the end of their life. The agency's request matches the FY 1995 approved amount. The Governor recommends \$100,000 from the State General Fund for rehabilitation and repair projects.

1. The Senate Ways and Means Committee, in its deliberations on 1995 Senate Bill 80, transferred \$43,363 of the funding recommended by the Governor for capital improvements to operating expenditures, in order to provide shrinkage relief at the agency.

2. The agency requests \$584,180 from the EDIF for preservation, stabilization and development projects at various agency sites, including:

2. Concur with the Governor.

Exterior Cleaning and Joint Sealing at Kansas Museum of History (\$160,000)

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This funding would allow for the cleaning of the limestone exterior of the Kansas Museum of History, and replacement of the joint sealant system.

Site Improvements at Hollenberg Station (\$123,000)

The requested funding would allow the agency to provide sewage treatment, propane, water and electrical service, retaining walls, and site lighting at this historic site. It would also permit the agency to acquire land that would preserve the historic ambience at the site, and allow for enhanced programming. Finally, it would permit construction of an access road and parking lot for a visitors' center.

Establishment of a Classroom/Demonstration Facility at Kaw Mission (\$55,000)

This funding would permit the Historical Society to convert an existing garage into educational programming space with accessible washrooms, and to effect accompanying site improvements.

Fort Hays Guardhouse and Officers' Quarters--Interior Rehabilitation (\$71,000)

The requested funding would permit an interior rehabilitation at this site, which would enhance interpretation at this historic site.

Shawnee Mission, East and North Buildings--HVAC Improvement (\$67,000)

This funding would allow the agency to replace older equipment, which is outdated and failing, according to the agency, with more efficient and historically-sensitive equipment.

The Governor recommends no funding for these projects.

Agency Request/Governor's Recommendation

Senate Subcommittee Adjustments

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3. The agency requests \$1,978,075 from the State General Fund for the construction of a third storage bay at the Center for Historical Research. According to the agency, the two storage bays currently under construction will be filled to capacity upon occupancy with the Society's existing collections. According to the agency, the construction of a third storage bay would allow for the Society's collections to be stored in a single facility, rather than at scattered sites. Also, it would allow for 20 years' expansion of the agency's documents collection. Finally, the third bay would permit the agency expediently to implement the deaccessioning of newspapers and other duplicate materials. These items, if moved to the Center for Historical Research, could be microfilmed and then disposed of within accepted deaccessioning practices. The Governor recommends no funding for this project.

3. Concur with the Governor.

New Sec. -- State Board of Agriculture

1. The agency requests \$78,952 from the State General Fund for projects that would bring the agency's laboratory building into compliance with the Americans with Disabilities Act. \$56,889 is for base projects (front door ramps, restroom remodelling, new door hardware, new signs and reconfiguring the front entry); \$7,198 is for an automatic door opener for the front door, and \$9,450 is for an accessibility ramp for the rear door.

Concur.

The Governor does not recommend funding for this project.

2. The agency requests \$17,548 from the State General Fund for the replacement of windows at the laboratory. In FY 1992, about half of the windows at the laboratory were replaced with energy-efficient, double-glass insulated windows. The other half of the windows are from the 1950s; they are single-pane, metal-framed windows which are, according to the agency, very energy-inefficient. The agency,

Concur.

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with the requested funding, would replace these windows with windows similar to those installed in FY 1992.

The Governor does not recommend this project.

3. The agency requests \$43,091 from the State General Fund in FY 1995 for the replacement of an air conditioner in that section of the agency's laboratory that services the dairy and pesticide sections. The air conditioner ceased to function in July of 1994. The agency was compelled to replace the air conditioner, because high temperatures would have compromised the quality of test samples, particularly for the determination of bacteria counts in dairy products. The agency used operating funds to replace the air conditioner, and appeals now for a supplemental appropriation to replace the moneys expended on the air conditioner.

Concur with the Building Committee.

The Governor did not recommend the requested supplemental appropriation. (Staff Note: The Joint Committee on State Building Construction has recommended funding for the air conditioner replacement from the State Budget Stabilization Fund, provided such funding is available in FY 1995.)

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SUBCOMMITTEE REPORT

Agency: State Library

Bill No. --

Bill Sec. --

Analyst: Pierron

Analysis Pg. No. 161

Budget Page No. 395

| <u>Expenditure Summary</u> | <u>Agency Estimate FY 95</u> | <u>Governor's Recommendation FY 95</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|----------------------------------|--|--|
| All Funds: | | | |
| State Operations | \$ 1,851,277 | \$ 1,848,487 | \$ 0 |
| Aid to Local Units | 4,420,843 | 4,397,044 | 100,000 |
| TOTAL | \$ 6,272,120 | \$ 6,245,531 | \$ 100,000 |
| State General Fund: | | | |
| State Operations | \$ 1,251,550 | \$ 1,248,760 | \$ 0 |
| Aid to Local Units* | 1,980,000 | 1,980,000 | 0 |
| TOTAL | \$ 3,231,550 | \$ 3,228,760 | \$ 0 |
| FTE Positions | 26.0 | 26.0 | -- |
| Special Project Appointments | 0.0 | 0.0 | -- |
| TOTAL | 26.0 | 26.0 | -- |

Agency Estimate/Governor's Recommendation

In the current year, the agency estimates expenditures of \$6,272,120, an increase of \$361,053 from the budget of \$5,911,066 in actual FY 1994. The budget includes a special appropriation made by the 1994 Legislature of \$160,000 from state funds to assist local libraries with the purchase of computer equipment to support on-line information service at the local level. A U.S. Department of Justice Grant of \$289,191 to the Administrative Services program for distribution to libraries of information on the Americans with Disabilities Act is included in the FY 1995 budget and will conclude in the current year. Carryover funds of \$23,799 for the Volunteer Adult Literacy grant program and \$206,551 from the Federal Library Services and Construction Act Title II funding (which is not expected for FY 1996) for the Library Development Program, further enhance the current year budget. The current year estimate includes \$3,231,550 from the State General Fund (as approved by the 1994 Legislature, as adjusted by the State Finance Council) and \$3,040,570 from federal funds and other revenue sources.

The Governor recommends \$6,245,531 for total expenditures in the current year, a reduction of \$26,589 from the agency's estimate. The recommendation includes \$3,228,760 from the State General Fund and \$3,016,771 from federal funds and other revenue sources, including \$160,000 from the Budget Stabilization Fund.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendations, with the following notations:

SWAM
February 20, 1995
Attachment 2

1. \$100,000 is recommended for providing on-line access for local libraries to the Kansas Library Catalog (KLC) through the Information Network of Kansas (INK). This recommendation is based upon the change in policy as of December 18, 1994 by INK to increase usage costs of this service to the local libraries. Libraries had originally been charged \$15 a month per sign-on with no charge per minute. This amount did not reflect the actual costs of this service which is illustrated by the \$50.00 annual fee and \$.40 per minute cost being charged by INK to commercial users of the service. Pursuant to Federal regulations, specifically OMB circular A-87, the Division of Information Systems and Communications (DISC) is required to recover the full costs of providing this service to INK and its clients. DISC is subject to this federal regulation because the federal government pays 32 percent of DISC costs. The amount of usage for the Internet increased beyond DISC's original projection which required DISC to increase their charges to INK. This unanticipated increase resulted in budget constraints to the local libraries requiring some libraries to totally shut down this service. This recommendation would allow the libraries to maintain their current services to the end of FY 1995 until alternative funding means can be arranged.
2. The Subcommittee recommends DISC, INK, and the State Library develop a tiered system of charging for on-line access to the KLC. This plan should: (1) provide some free access to those who warrant such access due to the nature of their use and/or their inability to pay, (2) charge the real cost of the service to average users; and (3) charge costs at a higher rate for extended use of the service. These higher rates would be used to recover the \$630,000 shortfall DISC experienced as a result of the unanticipated dramatic increase in usage of the INTERNET -- the national information highway -- while DISC was charging at a rate reflecting lower than actual costs. This cost plan should be produced and returned to the Committee for attachment to this Subcommittee report.
3. The Subcommittee recommends EDIF monies be used to fund access to the INTERNET. The INTERNET has direct impact on the economic development of Kansas through employee training and through provision of job service information.

The Subcommittee notes the following performance indicators:

| Administrative Services | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|--|-------------------|-----------------|------------------|
| Percentage of STARS transactions requiring corrections | 15% | 15% | 15% |
| Copies of Kansas Libraries Newsletter mailed | 720 | 760 | 760 |
| Percentage of federal reports completed in a timely manner | 58% | 58% | 58% |
| Staff training events held | 1 | 1 | 3 |

*Estimated level of performance under Governor's recommendations.

| Reference Services | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|--|-------------------|-----------------|------------------|
| On-line searches performed | 300 | 300 | 275 |
| Library orientations performed | 8 | 10 | 10 |
| Materials circulated | 10,000 | 10,000 | 10,000 |
| Federal government publications cataloged | 4,425 | 4,425 | 4,425 |
| Kansas legislative bills and resolutions indexed | 1,084 | 1,120 | 1,100 |
| New Kansas government publications cataloged | 1,651 | 1,800 | 1,400 |

*Estimated level of performance under Governor's recommendations.

| Library Development | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|--|-------------------|-----------------|------------------|
| Percentage of phone calls responded to within 12 hours | n/a | 70% | 70% |
| On-site consulting visits made | 51 | 60 | 55 |
| Documents published to support consulting services | 3 | 4 | 3 |
| Participants in "aging" workshop | n/a | n/a | 200 |
| Participants in "children" workshop | n/a | n/a | 100 |
| Number of literacy tours | 1,784 | 1,800 | 1,800 |
| Number of literacy students | 6,488 | 7,000 | 7,000 |

*Estimated level of performance under Governor's recommendations.

| Kansas Library Network | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|---|-------------------|-----------------|------------------|
| Interlibrary loan development grants awarded | | | |
| Competitive | 66 | 61 | 40 |
| Resource Sharing | 23 | 23 | 23 |
| Online training seminars held | 0 | 10 | 10 |
| Continuing education activities sponsored | 3 | 3 | 3 |
| Participants in continuing education activities | 100 | 150 | 150 |

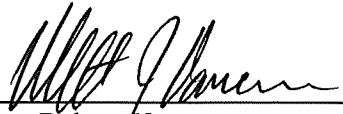
*Estimated level of performance under Governor's recommendations.

| Kansas Talking Book Service | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|--|-------------------|-----------------|------------------|
| Patron satisfaction level | 60% | 62% | 62% |
| Number of trained volunteers | 75 | 78 | 78 |
| Number of braille users | 105 | 107 | 107 |
| Working relationships established with agencies that have potential Talking Book users | 2 | 3 | 3 |


*Estimated level of performance under Governor's recommendations.

| Library Information Technology | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|--|-------------------|-----------------|------------------|
| Number of automation seminars presented | 15 | 15 | 15 |
| Number of interlibrary loan training seminars presented | 40 | 30 | 20 |
| Kansas Library Catalog data element corrections | 27,500 | 30,000 | 30,000 |
| Libraries contributing to the Kansas Library Catalog | 613 | 630 | 650 |
| Libraries with access to the Kansas Library Catalog | 474 | 500 | 550 |
| Library subscriptions to the Information Network of Kansas | 50 | 300 | 400 |

*Estimated level of performance under Governor's recommendations.



Senator Robert Vancrum
Subcommittee Chair



Senator Richard Rock

SUBCOMMITTEE REPORT

Agency: State Library

Bill No. 80

Bill Sec. 2

Analyst: Pierron

Analysis Pg. No. 161

Budget Page No. 395

| <u>Expenditure Summary</u> | <u>Agency Request FY 96</u> | <u>Governor's Recommendation FY 96</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|---------------------------------|--|--|
| All Funds: | | | |
| State Operations | \$ 2,389,726 | \$ 1,588,672 | \$ 0 (36,030) |
| Aid to Local Units | 4,200,946 | 4,053,797 | 206,429 211,200 |
| TOTAL | <u><u>\$ 6,590,672</u></u> | <u><u>\$ 5,642,469</u></u> | <u><u>\$ 206,429</u></u> 175,176 |
| State General Fund: | | | |
| State Operations | \$ 2,117,651 | \$ 1,276,994 | \$ (31,259) |
| Aid to Local Units* | 3,032,269 | 3,230,277 | 0 |
| TOTAL | <u><u>\$ 5,149,920</u></u> | <u><u>\$ 4,507,271</u></u> | <u><u>\$ (31,259)</u></u> |
| FTE Positions | 30.5 | 26.0 | -- |
| Special Project Appointments | 0.0 | 0.0 | -- |
| TOTAL | <u><u>30.5</u></u> | <u><u>26.0</u></u> | <u><u>--</u></u> |

Agency Request/Governor's Recommendation

The agency requests \$6,590,672 for FY 1996 to provide \$2,389,726 for state operations and \$4,200,946 for grants to public libraries and regional library systems. The FY 1996 request reflects a State General Fund increase of \$2,043,502 from the current year. The additional moneys from the State General Fund would provide for 4.5 new FTE positions, all described below; restoration of the Interlibrary Loan Development program to the 1993 level of funding (\$52,847); online integration of the State Library catalog with the catalog of the Mabee Library at Washburn University (\$56,500); payment increases to libraries serving the Kansas Talking Book Service (\$25,500); access for local libraries of the Kansas Library Catalog (KLC) to an on-line system through the use of Information Network of Kansas, an annual expense of \$240,000; database cleanup of the KLC by contract with a professional vendor (\$153,000); and access to OCLC FirstSearch, a research database (\$216,000), an annual expense of \$216,000. Further, the new moneys would restore State General Fund financing for the grants-in-aid program to about the same amount as was expended in FY 1993 (\$996,650). The additional moneys would also provide for more telecommunications, computer and travel support.

The Governor recommends \$5,642,469 for total expenditures in FY 1996, a reduction of \$948,203 from the agency request of \$6,590,672. Included in the recommendation is \$4,507,271 from the State General Fund. Almost all EDIF funding is eliminated and replaced with State General Fund monies as a part of the Governor's initiative to limit the scope of usage of the EDIF. The recommendation reduces the agency's request for state operations by \$801,054 and for local library grants by \$147,149. Included in the recommendation is \$1,588,672 for state operations and \$4,053,797 for grants to public libraries and regional library systems. State General Fund aid to local libraries is \$1,250,277 greater than

what was recommended for the current year (\$1,980,000), but aid from other funds to local libraries is reduced by \$1,593,524.

New Positions. The agency requests a total of \$91,118 in FY 1996 for 4.5 new FTE positions (including associated office equipment costs). Included in the request are \$26,442 for an Accountant I to help with the workload being placed on existing employees; \$25,176 for a Librarian I to keep up with the growing number of inquiries for information; \$13,350 for an Office Assistant I to help with the growth in paperwork being required; \$16,230 for an Office Assistant III to provide clerical support to existing staff; and \$9,990 to increase to full-time an existing 0.5 Library Assistant I who could then make major revisions to database files of the agency. The Governor does not recommend the requested new FTE positions.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendations, with the following adjustments:

1. Delete \$33,136 for longevity pay, unclassified merit pool, classified step movement, and a one percent salary adjustment for classified employees (\$28,365 from the State General Fund and \$4,771 from other funds).
2. Delete \$2,894 recommended from the State General Fund for a computer and equipment for the SHARP (Statewide Human Resource and Payroll System) project.
3. \$211,200 is recommended for providing on-line access for local libraries to data banks such as the Kansas Library Catalog (KLC) through the Information Network of Kansas (INK). This recommendation is based upon the change in policy as of December 18, 1994 by INK to increase usage costs of this service to the local libraries. Libraries had originally been charged \$15 a month per sign-on with no charge per minute. This amount did not reflect the actual costs of this service which is illustrated by the \$50.00 annual fee and \$.40 per minute cost being charged by INK to commercial users of the service. Pursuant to Federal regulations, specifically OMB circular A-87, the Division of Information Systems and Communications (DISC) is required to recover the full costs of providing this service to INK and its clients. DISC is subject to this federal regulation because the federal government pays 32 percent of DISC costs. The amount of usage for the Internet increased beyond DISC's original projection which required DISC to increase their charges to INK. This unanticipated increase resulted in budget constraints to the local libraries requiring some libraries to totally shut down this service. This recommendation would allow the libraries to maintain their current services for FY 1996.

The Subcommittee notes the following performance indicators:

| Administrative Services | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|---|-------------------|-----------------|------------------|
| Percentage of STARS transactions requiring corrections | 15% | 15% | 15% |
| Copies of Kansas Libraries Newsletter mailed | 720 | 760 | 760 |
| Percentage of federal reports completed in a timely manner | 58% | 58% | 58% |
| Staff training events held | 1 | 1 | 3 |
| *Estimated level of performance under Governor's recommendations. | | | |

| Reference Services | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|---|-------------------|-----------------|------------------|
| On-line searches performed | 300 | 300 | 275 |
| Library orientations performed | 8 | 10 | 10 |
| Materials circulated | 10,000 | 10,000 | 10,000 |
| Federal government publications cataloged | 4,425 | 4,425 | 4,425 |
| Kansas legislative bills and resolutions indexed | 1,084 | 1,120 | 1,100 |
| New Kansas government publications cataloged | 1,651 | 1,800 | 1,400 |
| *Estimated level of performance under Governor's recommendations. | | | |

| Library Development | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|---|-------------------|-----------------|------------------|
| Percentage of phone calls responded to within 12 hours | n/a | 70% | 70% |
| On-site consulting visits made | 51 | 60 | 55 |
| Documents published to support consulting services | 3 | 4 | 3 |
| Participants in "aging" workshop | n/a | n/a | 200 |
| Participants in "children" workshop | n/a | n/a | 100 |
| Number of literacy tours | 1,784 | 1,800 | 1,800 |
| Number of literacy students | 6,488 | 7,000 | 7,000 |
| *Estimated level of performance under Governor's recommendations. | | | |

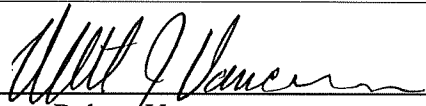
| Kansas Library Network | Actual FY 1994 | Est. FY 1995 | Est.* FY 1996 |
|---|-------------------|-----------------|------------------|
| Interlibrary loan development grants awarded | | | |
| Competitive | 66 | 61 | 40 |
| Resource Sharing | 23 | 23 | 23 |
| Online training seminars held | 0 | 10 | 10 |
| Continuing education activities sponsored | 3 | 3 | 3 |
| Participants in continuing education activities | 100 | 150 | 150 |
| *Estimated level of performance under Governor's recommendations. | | | |

| <u>Kansas Talking Book Service</u> | <u>Actual FY 1994</u> | <u>Est. FY 1995</u> | <u>Est.* FY 1996</u> |
|--|---------------------------|-------------------------|--------------------------|
| Patron satisfaction level | 60% | 62% | 62% |
| Number of trained volunteers | 75 | 78 | 78 |
| Number of braille users | 105 | 107 | 107 |
| Working relationships established with agencies that have potential Talking Book users | 2 | 3 | 3 |


*Estimated level of performance under Governor's recommendations.

| <u>Library Information Technology</u> | <u>Actual FY 1994</u> | <u>Est. FY 1995</u> | <u>Est.* FY 1996</u> |
|--|---------------------------|-------------------------|--------------------------|
| Number of automation seminars presented | 15 | 15 | 15 |
| Number of interlibrary loan training seminars presented | 40 | 30 | 20 |
| Kansas Library Catalog data element corrections | 27,500 | 30,000 | 30,000 |
| Libraries contributing to the Kansas Library Catalog | 613 | 630 | 650 |
| Libraries with access to the Kansas Library Catalog | 474 | 500 | 550 |
| Library subscriptions to the Information Network of Kansas | 50 | 300 | 400 |

*Estimated level of performance under Governor's recommendations.



Senator Robert Vancrum
Subcommittee Chair



Senator Richard Rock

Testimony of Thomas E. Shea
Before the Senate Ways and Means Committee
Senate Bill No. 277
Presented February 20, 1995

Thank you. Mr. Chairman, Madam Vice-Chairman and honorable members of the Senate Ways and Means Committee.

My name is Thomas E. Shea. I am employed as Treasurer of Western Resources, Inc. I have been Treasurer since 1990 and have been with the Company for 22 years.

During the period from May through September last year I was the leader of a Phase II Reinventing Kansas Government team formed to examine the existing collection/offset of accounts receivable process. For any committee member interested, I will leave with the committee secretary copies of the final report on Collections/Offset of Accounts Receivable. You will note that presidents and or CEOs from Southwestern Bell, Security Benefit Group, Western Resources, Bank IV and Boeing served on the Steering Committee. The study reviewed the State's accounts receivable operations and made specific recommendations.

Having become quite familiar with the State's accounts receivable process, it is clear to me that the State of Kansas can better manage its existing sources of revenue, a belief that has become more important in light of increasing budgetary constraints and demands for services. I commend all of you for the ability to balance both.

The vision for the State's collection/offset of accounts receivable process should be to achieve a quality process where:

- The financial burden is shifted from the tax-paying public to responsible parties
- Accounts receivable are reduced and collection amounts are increased
- A proactive role is taken in collecting amounts owed
- There exists accountability of state agencies to collect accounts receivable
- State agencies share data with other state agencies in an organized manner for assisting in the collection process

I believe this vision is sound and it is achievable. Currently, your constituents pay taxes to support both the outstanding debts owed to the State and the direct and indirect costs of collecting those debts. One of the beliefs central to the vision just outlined is that it makes sense to shift costs from honest, hard-working citizens who pay their bills on time to those who create the uncollected debt burden in the first place.

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Attachment 3

Senate Bill No. 277 was written to address several of the vision's key performance measures. It benefits those citizens who pay their bills and provides incentives for payment to those who don't. I am here today to express my strong support for this legislation.

Specifically, the bill provides for the following:

- Passing the costs incurred in collecting debts on to the actual debtors
- Assessment of an interest penalty at each agency's option on delinquent accounts
- Data sharing between state agencies for the sole purpose of debt collection

I will briefly discuss the core beliefs inherent in this legislation:

1. Delinquent debtors should pay the cost of collection

This provision would allow costs incurred in debt collection, such as outside collection agency fees and setoff fees, to be passed on to individual debtors. Thus, it would give state agencies another tool to assist in debt collection. The opportunity to recover all or part of the cost to collect debts (which would positively impact budgets) should encourage state agencies to do so. Further, this would provide an additional incentive for debtors to pay promptly. In a nutshell, this provision shifts the cost of debt collection from taxpayers to debtors -- those responsible for originating the collection cost in the first place.

2. Delinquent debtors should pay interest

In effect, trade credit is an interest-free loan. Therefore, past due accounts may be regarded as interest-free loans for periods of longer than 30 days and impose an opportunity cost -- loss of the use of the money or a return on the money -- on the creditor. Most non-government entities extending trade credit assess late charges or interest assessments on accounts that are past due. I regard this as a common business practice and as such, it should be adopted by the State. (Note, certain state agencies are allowed to assess interest currently, but some do not.) When debtors do not incur a financial penalty for late payments, there is little incentive for them to pay promptly. Frankly, there is no reason that state agencies should not have the option of assessing interest on past due accounts, and that is precisely what this provision does. It imposes an interest penalty on past due accounts of 1% per month, but gives state agencies the option of compromising or waiving the penalty. This provision should result in higher, more timely collections.

3. State agencies should share data

State agency databases, especially those of the Kansas Department of Human Resources and the Kansas Department of Revenue, have, without question, the best, most current information available to assist in locating debtors. Historically, however, this information has not been shared between these departments, nor with other state agencies due to a perceived restriction against doing so. This bill provides that all such information, unless specifically prohibited by federal law, may be shared among state agencies for the sole purpose of debt collection. This provision would allow for greater sharing of this valuable collection information by imposing a definitive standard. We would expect better data to impact the collection process, resulting in both a higher volume of collections and a shorter collection period.

The net benefit of assessing interest and passing on collection costs is estimated to be greater than \$1 million annually.

These provisions make sense. They save taxpayers money by shifting the financial burden to debtors that pay their bills late or do not pay them at all. They allow government to work better and, they allow government to work more like private enterprise.

I would like to thank the Senate Ways and Means Committee members for allowing me to be here today to express my strong support for Senate Bill No. 277. I now invite your questions of myself or any other team member. Again, thank you.

**Summary of the Testimony of Thomas E. Shea
Before the Senate Ways and Means Committee
Senate Bill No. 277
Presented February 20, 1995**

Background

- Treasurer of Western Resources, Inc. since 1990
- Company veteran of 22 years
- Leader of Phase II Reinventing Kansas Government team formed to examine the existing collection/offset of accounts receivable process

Vision

The vision for the State's collection/offset of accounts receivable process should be to achieve a quality process where:

- The financial burden is shifted from the tax-paying public to responsible parties
- Accounts receivable are reduced and collection amounts are increased
- A proactive role is taken in collecting amounts owed
- There exists accountability of state agencies to collect accounts receivable
- State agencies share data with other state agencies in an organized manner for assisting in the collection process

Justification

- Constituents pay taxes to support the outstanding debts owed to the State and the direct and indirect costs of collecting those debts
- It makes sense to shift costs from honest, hard-working citizens who pay their bills on time to those who create the uncollected debt burden in the first place

Provisions of the Bill

- Passing the costs incurred in collecting debts on to the actual debtors
- Assessment of an interest penalty at each agency's option on delinquent accounts
- Data sharing between state agencies for the sole purpose of debt collection

Core Beliefs Inherent in this Legislation

1. Delinquent debtors should pay the cost of collection
2. Delinquent debtors should pay interest
3. State agencies should share data

Benefits of the Legislation

The net benefit of assessing interest and passing on collection costs is estimated to be greater than \$1 million annually

Testimony of Cynthia D. Gallagher
Before the Senate Ways and Means Committee
Senate Bill No. 277
Presented February 20, 1995

Mr. Chairman, Madam Vice-Chairman and honorable members of the Senate Ways and Means Committee:

My name is Cynthia D. Gallagher. I am employed as an Area Manager for Southwestern Bell Telephone and have been with this company for 16 years. I served as Co-Leader of the Phase II Reinventing Kansas Government team which examined the collection/offset of accounts receivable process. I am here to voice my support of Senate Bill No. 277.

As a member of the Reinventing Government team, we looked at various aspects of the State's debt collection process. I was surprised to learn that debtors were not incurring the costs of debt collection and that I as tax paying citizen was subsidizing the cost of collection efforts. I feel it is very important that the State implement policies that shift these burdens to those people who are creating the costs. I also feel it is important that the state's collection efforts be on equal footing with other companies who extend credit. One tool to help this effort would be the ability to charge interest on past due accounts.

I would like to thank the Senate Ways and Means Committee members for allowing me to be here and express my support for Senate bill No.277. If the committee has any question, I would be happy to answer them.

SWAM
February 20, 1995
Attachment 4

TESTIMONY REGARDING SB 277
SENATE WAYS AND MEANS COMMITTEE
February 20, 1995

Presented by Robert E. North
Staff Attorney with the Department of Administration

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify in support of Senate Bill No. 277, an act which will allow the state to more efficiently collect debts by authorizing state agencies to share data for debt collection purposes, and by allowing, but not requiring, the assessment of interest penalties and collection fees against those who do not pay their debts.

The proposed legislation is in response to issues which arose during the Reinventing Kansas Government (R.K.G.) process. Each of the proposals outlined in this bill is the direct result of the R.K.G. goal to shift the burden of collecting debts from the general taxpayers to the party who is responsible for the debt. These efforts are an attempt to manage the state's debt collection effort in a professional, business-like manner.

1. Providing for the Sharing of Data Between State Agencies for Debt Collection

New Section 1 allows state agencies to share confidential data solely for the purpose of debt collection efforts. One of the primary problems inherent in collecting debts is obtaining valid address information for a debtor or a current place of employment. If the debtor cannot be personally contacted, there is no meaningful opportunity to collect the debt. By authorizing state agencies to share address, employment and other relevant information with each other, collection rates and enhanced revenues will result. This bill simply authorizes the sharing of such information among state agencies and does not make such sharing mandatory. This will allow all state agencies to more efficiently collect their own debts and give the Setoff Program a significant collection tool by providing automated and current debtor information.

2. Assessment of Interest Penalty and Collection Costs

New Section 3 allows state agencies to assess an interest penalty of 1% per month on the amount of unpaid obligations owed the agency.

It is important to be aware the bill authorizes the assessment of an interest penalty, but it is not mandatory, which allows the creditor agency flexibility in dealing with the debtor. The effect of the bill is clear. If a debtor has two debts, one of which accrues interest, and one which does not, the obvious choice for the debtor is to pay the bill which does not accrue interest. The state should not be in the business of making interest-free loans to debtors. The legislation will result in an additional tool which will directly lead to more efficient and effective collection efforts.

The passing of collection costs to the responsible party allows agencies to assess an additional penalty to be added to any delinquent debt owed a state agency. The provision allows the

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Attachment 5

agency to "shift" its collection costs to the responsible party. The costs of collecting debts should be passed to the debtor to avoid requiring general taxpayers to subsidize those debtors who do not meet their obligations.

3. Prompt Payment - Amends K.S.A. 75-6403

This bill reduces from 1.5% to 1%, the interest penalty on the amount of unpaid obligations owed vendors. It requires state agencies to make prompt payment and sets the interest penalty rate at the same level as state agencies may charge under section 3.

Thank you for this opportunity to speak with you. I will be happy to address any questions that you have at this time.

0006905.01

Department of Social and Rehabilitation Services
Child Support Enforcement Program

Before the Senate Ways and Means Committee
February 20, 1995

Senate Bill 227
Related to state debt collection

Mr. Chairman and members of the committee, thank you for this opportunity to testify on behalf of Secretary Schalansky concerning Senate Bill 277.

The primary responsibility of the SRS Child Support Enforcement Program is to help children by establishing regular and adequate support payments and by enforcing past due support obligations. From that perspective, SRS supports enactment of this measure to improve the collection of debts by state agencies.

CSE has a long history of collecting support debts owed to our children and our taxpayers -- a summary of our program and its recent achievements is attached -- but we are always looking for ways to improve. We have particularly admired the success of states able to match CSE data with data collected by revenue agencies. Massachusetts, for example, is at the forefront in matching parents whose assets generate reportable income against their list of IV-D parents who have unpaid support debts. Each match reveals resources to help support the parent's own child and prevent the need for additional public assistance.

Next autumn the federal government will begin sending CSE IRS-1099 information about support debtors. The federal "catch," however, is that 1099 information must be verified before disclosure to a third party. If 1099 information showed interest income from a bank, for example, CSE would have to verify that the parent is a customer at that bank before using the information to file a garnishment. Under current conditions and laws, CSE will be forced to depend on time-consuming individual contacts and voluntary cooperation to verify 1099 information, even if the verifying information is already sitting in another agency's computer.

Section 1 of SB 277 is an important step toward bringing Massachusetts' successful technique to Kansas. The measure makes it clear that public policy favors interagency cooperation as a means for insuring responsible payment of debts involving the state. It also recognizes that agencies need to safeguard sensitive information or information which federally-funded programs must keep confidential. It encourages agencies to establish mutually satisfactory ways to balance their needs and serve the taxpayers' best interests.

To illustrate just how beneficial enactment of SB 277 could be, CSE prepared a fiscal note analyzing the cost-benefits of verifying 1099 information against Department of Revenue records using automation. Based on the 72,000 support orders in CSE's caseload of 120,000 IV-D cases, and conservatively assuming an average collection of only \$50 per verification, the gross increase in support collections would be **\$1,215,000** per year. The state's share, plus fees and federal incentive payments, would be \$208,266; the net addition to the SRS fee fund would be \$177,891.

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Attachment 6

SRS/Child Support Enforcement
SB 277, page 2
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Costs for this matching process would include the initial programming, at an estimated cost of \$5,000 (state cost \$3,300). Annual costs for running the match would be minimal and would be eligible for CSE's 66% FFP. The major cost of this 1099 initiative would be the value of CSE staff time for processing several thousand garnishments per year. The increased activity, however, is expected to average less than one garnishment per week per person and is part of existing job responsibilities; additional staff should not be necessary. The value of CSE staff time used would be \$196,611 (state cost \$66,847) per year.

CSE also favors the other features of SB 277, although the interest and late payment penalties are not likely to generate significant revenues for CSE without federal policy changes. Federal regulations require CSE to postpone such fees until all child support debts are fully paid, significantly delaying collection and complicating the accounting, as well as requiring CSE to allot 66% of the proceeds to the federal government. Lastly, reducing late payment penalties paid by CSE would be beneficial but is unlikely to produce a material fiscal impact.

Senate Bill 277 presents an important opportunity to make efficient use of existing state resources and to encourage responsible debt payment. Thank you for considering its potential benefits to SRS' Child Support Program and to the children and families we serve.

Respectfully submitted,

Jamie L. Corkhill
Policy Counsel
Child Support Enforcement
296-3237

CHILD SUPPORT ENFORCEMENT PROGRAM (CSE)

In 1975 the Congress enacted Title IV-D of the Social Security Act to counter the ballooning tax burden of public assistance for children left unsupported by one or both parents, and to improve the lives of the one in five children living in poverty. Federal law requires each state to establish an effective statewide child support program: (1) to improve the quality of life for children; (2) to reduce the costs for Aid to Families with Dependent Children (AFDC), foster care, and medical assistance; (3) to help families become independent of public assistance; and (4) to return the responsibility of supporting children to parents whenever possible.

The Kansas CSE Program is a joint federal, state, and county operation which must satisfy numerous specific federal requirements concerning all phases of operation. CSE must provide a full range of support services, from establishing orders through modifying and enforcing them, in two basic types of cases:

- 1) Public Assistance (PA) - When a child's custodian applies for public assistance, the family's child and medical support rights are assigned to the State. If CSE collects support in an AFDC case, the first \$50 of current support is passed on directly to the family. The rest, and any collection of past due support, is used to reimburse the state and federal governments for the public assistance provided to the child's family. All support collections in excess of the claim for reimbursement go to the family.
- 2) Non-PA - As required by federal law, the same child and medical support services are available to anyone, regardless of income, who applies for support enforcement services. The idea is to prevent the need for public assistance by insuring reliable support payments, and also to provide equal treatment for all children. It is important to note that approximately 60% of Non-PA cases have received AFDC in the past.

By operating a program in compliance with federal requirements, Kansas qualifies for three types of federal IV-D funding:

- 1) Kansas is entitled to keep 41% of support collected to reimburse AFDC expenses;
- 2) Kansas is reimbursed for 66% of eligible IV-D administrative costs; and
- 3) Kansas earns incentives, ranging from 6 to 10% of support collections. The incentive for Non-PA work is limited to 115% of the PA incentive.

By using available funding mechanisms, the Kansas CSE Program has always been a cost effective, revenue producing program.

The Department of Social and Rehabilitation Services (SRS) is the designated Title IV-D agency for the State of Kansas. The current CSE caseload consists of approximately 120,000 IV-D cases serving at least a quarter million individuals.

SRS provides IV-D services in all areas of the state through 487 full time and 26 part time staff and through contracts with several county and district attorneys; the Office of Judicial Administration, for the services of 17 district court trustees; and private contractors, such as collection agencies, credit bureaus, and process servers.

Over the past eight years Kansas IV-D collections have grown by 460%, from \$20 million in

FY87 to over \$92 million in FY94. Kansas has been recognized as one of the top ten states nationally in terms of percentage increases in collections. Enactment of beneficial state legislation, enhancement of program and legal staff, and implementation of the KAECSES computer system were major factors in this impressive growth. In FY94 alone, over \$27 million in public assistance grants were reimbursed due to IV-D actions.

Cost avoidance, another fiscal benefit, results when CSE's monthly support collections exceed the AFDC grant and trigger closure of the AFDC case. To reduce the family's risk of returning to AFDC dependence, CSE services automatically continue. IV-D collection efforts during FY94 resulted in the closure of over 4000 AFDC cases.

The Title IV-D program also establishes thousands of medical support (health insurance) orders each year and shares health insurance information with the Medicaid Program. This allows medicaid costs to be billed to the responsible insurer, instead of to taxpayers.

Paternity establishment plays a vital role in SRS' mission by enhancing the child's financial and social resources and by allowing recovery of state-paid birth expenses. Paternity establishment and educational outreach also positively affect the teen pregnancy problem by highlighting parental responsibility. Many children benefit each year from having their parentage clearly established, giving them access to cash and medical support as well as to family medical information and potential inheritance or other rights. In FY94 CSE established paternity for nearly 8000 children, up from 835 in FY87.

Initiatives currently being pursued include:

- **Enhanced computerization** -- establishing a federally certified, statewide child support computer system by October 1, 1995.
- **Privatization** -- using private sector resources whenever appropriate functions can be performed more efficiently or effectively through a contractual arrangement.
- **Implementation of Welfare Reform** -- expanding CSE services for recipients of medical, food stamps, or child care assistance to help them achieve financial independence.
- **Implementation of cost-recovery fee** -- establishing a modest cost recovery fee in non public assistance cases, including incoming interstate cases, to insure compliance with federal requirements.
- **In-hospital paternity establishment** -- encouraging hospitals to seek voluntary acknowledgements of paternity at the time of birth for children born out of wedlock.
- **Medical support enforcement** -- requiring absent parents to actually provide coverage for their children when group insurance coverage is available at an affordable cost.

Testimony of Thomas E. Shea
Before the Senate Ways and Means Committee
Senate Bill No. 283
Presented February 20, 1995

Thank you. Mr. Chairman, Madam Vice-Chairman and honorable members of the Senate Ways and Means Committee.

My name is Thomas E. Shea. I am employed as Treasurer of Western Resources, Inc. I have been Treasurer since 1990 and have been with the Company for 22 years.

During the period from May through September last year I was the leader of a Phase II Reinventing Kansas Government team formed to examine the existing collection/offset of accounts receivable process. For any committee member interested, I will leave with the committee secretary copies of the final report on Collections/Offset of Accounts Receivable. You will note that presidents and or CEOs from Southwestern Bell, Security Benefit Group, Western Resources, Bank IV and Boeing served on the Steering Committee. The study reviewed the State's accounts receivable operations and made specific recommendations.

Having become quite familiar with the State's accounts receivable process, it is clear to me that the State of Kansas can better manage its existing sources of revenue, a belief that has become more important in light of increasing budgetary constraints and demands for services. I commend all of you for the ability to balance both.

The vision for the State's collection/offset of accounts receivable process should be to achieve a quality process where:

- The financial burden is shifted from the tax-paying public to responsible parties
- Accounts receivable are reduced and collection amounts are increased
- A proactive role is taken in collecting amounts owed
- There exists accountability of state agencies to collect accounts receivable
- State agencies share data with other state agencies in an organized manner for assisting in the collection process

I believe this vision is sound and it is achievable. Currently, your constituents pay taxes to support both the outstanding debts owed to the State and the direct and indirect costs of collecting those debts. One of the beliefs central to the vision just outlined is that it makes sense to shift costs from honest, hard-working citizens who pay their bills on time to those who create the uncollected debt burden in the first place.

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Senate Bill No. 283 was written to address several of the vision's key performance measures. Its provisions are potentially powerful, but may be a bit sensitive to some. Nevertheless, its provisions are currently being used in a number of other states. Like Senate Bill No. 277, this bill benefits those citizens who pay their bills and provides direct incentives for payment to those who don't. Also, this bill gives state agencies the ability to be proactive by providing a powerful tool to assist in debt collection. I am here today to express my strong support for this legislation.

Specifically, the bill establishes as policy that persons licensed to practice certain professions or conduct certain business activities may be subject to nonissuance or nonrenewal of their license if the person owes \$25 or more to any state agency. Specific professional licenses and commercial drivers licenses would be subject to nonissuance or nonrenewal in order to collect debts other than library fines and parking violation fines.

I will briefly discuss the core beliefs inherent in this legislation:

1. The ability to conduct a professionally-licensed business in the State of Kansas is a privilege

Certainly, no citizen has an unconditional right to conduct a business in the State of Kansas. For example, we don't just let people call themselves physicians or attorneys or a variety of other professional descriptions. Likewise, we remove the privilege of practicing medicine or law or any other professionally-licensed business for violations of the conditions under which those licenses were granted. Licenses are privileged. The person seeking the license must meet certain minimum criteria to obtain a license and must live within certain requirements to maintain a license.

2. Persons or entities not repaying debts owed to the State should lose the privilege to conduct a business that requires a State license

I would suggest that in addition to meeting certain criteria to obtain or maintain a license from any state agency, a license-seeker should meet an additional condition -- that he or she should be repaying any debts owed to the State. If the license-seeker does owe money to the State, he or she should be required to pay the debt or enter into an agreement to pay the debt before being granted the sought-after license. I think this belief is fair, and I think most Kansans would whole-heartedly agree with it,

This bill makes sense. It saves taxpayers money by shifting the financial burden to debtors that pay their bills late or do not pay them at all. It allows government to work better and, it allows government to work more like private enterprise.

I would like to thank the Senate Ways and Means Committee members for allowing me to be here today to express my strong support for Senate Bill No. 283. I now invite your questions of myself or any other team member. Again, thank you.

**Summary of the Testimony of Thomas E. Shea
Before the Senate Ways and Means Committee
Senate Bill No. 283
Presented February 20, 1995**

Background

- Treasurer of Western Resources, Inc. since 1990
- Company veteran of 22 years
- Leader of Phase II Reinventing Kansas Government team formed to examine the existing collection/offset of accounts receivable process

Vision

The vision for the State's collection/offset of accounts receivable process should be to achieve a quality process where:

- The financial burden is shifted from the tax-paying public to responsible parties
- Accounts receivable are reduced and collection amounts are increased
- A proactive role is taken in collecting amounts owed
- There exists accountability of state agencies to collect accounts receivable
- State agencies share data with other state agencies in an organized manner for assisting in the collection process

Justification

- Constituents pay taxes to support the outstanding debts owed to the State and the direct and indirect costs of collecting those debts
- It makes sense to shift costs from honest, hard-working citizens who pay their bills on time to those who create the uncollected debt burden in the first place

Purpose of the Bill

Establishes as policy that persons licensed to practice certain professions or conduct certain business activities may be subject to nonissuance or nonrenewal of their license if the person owes \$25 or more to any state agency. Specific professional licenses and commercial drivers licenses would be subject to nonissuance or nonrenewal in order to collect debts other than library fines and parking violation fines.

Core Beliefs Inherent in this Legislation

1. The ability to conduct a professionally-licensed business in the State of Kansas is a privilege
2. Persons or entities owing debts to the State should lose the privilege to conduct a business that requires a State license

Benefits of the Legislation

Provides a potentially powerful tool for state agencies to use in the proactive collection of debts owed to the State by requiring licensees to pay their debts.

Testimony of Cynthia D. Gallagher
Before the Senate Ways and Means Committee
Senate Bill No. 283
Presented February 20, 1995

Mr. Chairman, Madam Vice-Chairman and honorable members of the Senate Ways and Means Committee:

My name is Cynthia D. Gallagher. I am employed as an Area Manger for Southwestern Bell Telephone and have been with this company for 16 years. I served as Co-Leader of the Phase II Reinventing Kansas Government team which examined the collection/offset of accounts receivable process. I am hear to voice my support of Senate Bill No. 283.

As a member of the Reinventing Kansas Government team, we looked at the present accounts receivable process within the State as well as processes within other states. It became evident that some states had implemented policies which encourage the payment and resolution of outstanding debts. One such example was the implementation of a license clearance and revocation process. This policy enhanced the state's collection efforts by providing a strong enforcement tool. It also encouraged a debtor to resolve outstanding debt issues. Passing legislation that affords the state the right to not issue or renew licenses when the licensee has past due debts greater than \$25 would provide a powerful collection tool within the State.

I would like to thank the Senate Ways and Means Committee members for allowing me to be here and express my support for Senate bill No.283. If the committee has any questions, I would be happy to answer them.

SWAM
February 20, 1995
Attachment 8

**TESTIMONY REGARDING SB 283
SENATE WAYS AND MEANS COMMITTEE
February 20, 1995**

**Presented by Doug Craig
Setoff Program**

Mr. Chairman, Members of the Committee:

I am the manager for the setoff unit in the Department of Administration. Under current law, we maintain a list of persons owing debts to the State of Kansas. This debtor list is compared to lists of persons to whom the State is about to make a payment. When there is a "match" between the debtor and payment lists a letter of "intent to setoff" is sent the debtor, along with an explanation of their right to request a due process hearing. The setoff program has been successful in providing a cost efficient tool for collecting debts owed the state. In FY '94, over 7 million dollars was collected through the program.

I am appearing today on behalf of the Department of Administration to testify in support of SB 283, which provides for the potential non-renewal of certain occupational licenses in the event a debtor fails to make satisfactory payment arrangements for debts owed the state. The State is obligated to be fair and consistent with the citizens of the State. It is unfair for the majority of the State's citizens who pay their debts to support a small minority of citizens who choose to ignore their responsibility to the State. Unfortunately some people need additional incentives to persuade them to fulfill their obligations. Senate Bill No. 283 has the potential of providing the additional incentive some people need. Twenty-four states have already enacted or proposed similar legislation. Licenses from the state are a privilege. This privilege can be used to help further collection of lawful debts.

This bill does not affect licensees that are making timely payments to the State. This law can get the attention of those licensees that are ignoring costly payment reminders being generated by state agencies. Only those debtors who choose to ignore these collection efforts stand the chance of not having their license renewed or not issued.

The Setoff Program already has the mechanisms in place to perform these additional duties. Test data from two samples indicates that less than 1% of the licensees have a debt with the Setoff Program. These two samples are less than 5% of the total number of licensees affected by this proposed legislation. The total amount of debt matched on these two samples was more than \$300,000. We cannot estimate how much of the \$300,000 would actually be subject to setoff of the license.

The mechanics of how this type of setoff would be performed are as follows:

*SWAM
February 21, 1995
Attachment 9*

PROPOSED SETOFF OF LICENSES

- I. Setoff program staff request lists of licensees from various licensing boards
 - A. Request made once or twice a year
 - 1. Information should be available from boards mailing list
 - 2. List should include social security number, name, and address
 - B. Setoff staff will match lists to debtor data base - Setoff staff will identify licensees that owe a debt to the state

- II. Setoff staff will notify the creditor agency when a match occurs
 - A. Creditor agency will confirm validity of debt
 - B. Creditor agency will confirm if setoff of licensee should proceed - if debtor has already made payment arrangements, the creditor agency can request no action be taken

- III. Setoff staff will notify the debtor that a match has occurred
 - A. Debtor will be notified of setoff procedures
 - 1. Right to appeal debt
 - 2. Whom to contact if there are questions about the debt
 - 3. License might not be renewed unless debt is paid or payment arrangements are made

- IV. Setoff staff will contact licensing board to not renew the debtors pending license for the next renewal term if the debtor refuses to pay the debt or make adequate payment arrangements

Thank you for this opportunity to speak with you on behalf of SB 283. I will be happy to address any questions that you have at this time.