

Approved: 3-11-96
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Robin Jennison at 1:30 p.m. on March 4, 1996 in Room 514-S of the Capitol.

All members were present except: Representative Cornfield, excused
Representative Gross, excused
Representative Carmody, excused
Representative Bradley, excused
Representative Kejr, excused

Committee staff present: Alan Conroy, Russell Mills, Susan Wieggers, Legislative Research Department
Jim Wilson, Revisor of Statutes; Mike Corrigan, Revisor
Tim Kukula, Appropriations Secretary; Todd Fertig, Administrative Aide

Conferees appearing before the committee: John Houlihan, Director of Purchases
Susan Duffy, Department of Revenue
Dedra Platt, Dept. of Revenue Fuel Tax Evasion Program

Others attending: See attached list

Chairman Jennison began the meeting by opening hearings on SB 402. Chairman Jennison recognized John Houlihan to testify before the committee as a proponent of the bill. Mr. Houlihan stated that the Department of Administration is specifically in support of sections 2, 3, 4 and 6 of SB 402 (Attachment 1). A fiscal note on SB 402 was distributed to the committee (Attachment 2).

After questions were asked by the committee and no one else wished to testify, Chairman Jennison closed the hearings on SB 402.

Chairman Jennison then recognized Susan Duffy to explain to the committee fuel tax exemption claims against the state. Deedra Platt assisted Ms. Duffy in answering questions. A handout was provided outlining certain requirements for fuel tax exemption (Attachment 3).

Discussion was then raised on SB 215, ROTC tuition waivers.

A motion was made by Representative Reinhardt, seconded by Representative Helgerson, to strike section 5 of SB 215 and make the proper technical changes suggested by Revisor Wilson. The purpose of this was to eliminate repetitive language. The motion carried.

A motion was made by Representative Reinhardt, seconded by Representative Kline, to pass the bill favorably out of committee as amended. The motion failed with a division of 7 to 9.

A motion was made by Representative Kline, seconded by Representative Wilson, to introduce a bill that amends construction management. The motion carried.

A motion was made by Representative Hochhauser, seconded by Representative Helgerson, to introduce a bill concerning the regulations of sports agents. The motion carried.

A motion was made by Representative Dean, seconded by Representative Kline, to introduce 4 bills: 1) Takes drivers' license away from high school students not performing at a certain academic or disciplinary standard, 2) Interest on loans for construction costs of small lakes, 3) Permits state agencies to enter into financing agreements with the Kansas Development Finance Authority for water conservation improvement, and 4) 24 hour health care. The motion carried.

The meeting adjourned at 2:20 p.m.

The next meeting is scheduled for March 5, 1996.

TESTIMONY REGARDING SB 402
HOUSE APPROPRIATIONS COMMITTEE
March 4, 1996

Presented by John T. Houlihan
Director of Purchases

Mr. Chairman and members of the committee. I am John Houlihan, Director of Purchases. Thank you for the opportunity to speak on behalf of the Department of Administration in support of Section 2, 3, 4 and 6 of Senate Bill 402.

This year the Senate introduced and passed Senate Bill No. 402, which is the bill before you today. The final version of this bill was jointly written by the Senate Ways and Means Committee, the Revisor of Statutes, and the Division of Purchases. In addition, last year, the Senate introduced and passed Senate Bill No. 279. That bill is also in this committee. Senate Bill No. 402, which is being heard today, includes all of the items from No. 279, plus some new amendments. I recommend that Senate Bill No. 402 be considered for passage and that Senate Bill No. 279 not be worked.

The primary purpose of Senate Bill No. 402 is to amend K.S.A. 75-3739, the competitive bid statute, which has been changed little since 1953. These changes will allow the Division of Purchases to be more responsive to the needs of state agencies and the vendor community. Senate Bill No. 402 would allow the following:

1. With the approval of the Secretary of Administration, the Director of Purchases may delegate authority to any state agency to make purchases of less than \$25,000 under certain prescribed conditions and procedures. The bill also authorizes the Director of Purchases to perform audits at any state agency to determine the agency's compliance with state purchasing statutes. The audit findings will be reported to the Legislative Coordinating Council and the Chairperson of the Senate Committee on Ways and Means and the Chairperson of the House Committee on Appropriations.
2. Allow all purchases estimated to be less than \$25,000 be made after the receipt of bid solicitations by telephone, telephone facsimile or after receipt of sealed bids following at least three days' notice posted on a public bulletin board.
3. Permit purchases estimated to exceed approximately \$25,000 but not more than \$50,000 be made after receipt of sealed bids and at least three days' notice posted on a public bulletin board.

3-4-96

House Appropriations

Attachment

1

4. Allow all purchases estimated to exceed \$50,000 be made after receipt of sealed bids and notice published once in the Kansas Register not less than 10 days before date of bid opening.

5. Let the Director of Purchases obtain goods and services without competitive bids when it is determined to be in the best interest of the state. All procurements of this type shall be reported quarterly to the Chairperson of the House Appropriations Committee, the Senate Ways and Means Committee, and the Legislative Coordinating Council.

6. Permit state agencies to contract directly for goods and services with other state agencies, or with federal agencies, political subdivisions of Kansas, agencies of other states or subdivisions, or private nonprofit educational institutions without obtaining permission from the Director of Purchases or seeking competitive bids.

None of these changes will have a fiscal impact on the Division of Purchases, but they will allow the division to operate in a more efficient manner and be more responsive to the needs of the state agencies and the vendor community.

This concludes my prepared testimony, are there any questions?

STATE OF KANSAS



DIVISION OF THE BUDGET
Room 152-E
State Capitol Building
Topeka, Kansas 66612-1504
(913) 296-2436
FAX (913) 296-0231

Bill Graves
Governor

Gloria M. Timmer
Director

January 16, 1996

The Honorable Dave Kerr, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 120-S
Topeka, Kansas 66612

Dear Senator Kerr:

SUBJECT: Fiscal Note for SB 402 by Legislative Budget Committee

In accordance with KSA 75-3715a, the following fiscal note concerning SB 402 is respectfully submitted to your committee.

SB 402 would allow Regents institutions, except the University of Kansas Medical Center, to make direct purchases of goods and services of \$25,000 or less for any individual purchase, an increase from the \$10,000 limit in current law. Such purchases would also be exempted from the bid and other requirements of KSA 75-3739. The University of Kansas Medical Center already has the authority to make direct purchases up to \$25,000.

According to the Board of Regents, SB 402 would provide purchasing flexibility to the institutions, which may require a reorganization of administrative operations. However, the institutions affected by SB 402 would be expected to implement provisions of the bill within existing resources. The bill would have no impact on expenditures and receipts contained in *The FY 1997 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script that reads "Gloria M. Timmer".

Gloria M. Timmer
Director of the Budget

3-4-96

House Appropriations

Attachment
2

Administrative Services Bureau
Susan K. Duffy, Executive Manager
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66612-1588



(913) 296-2331
FAX (913) 296-8932

Administrative Services

TO: Representative Robin Jennison, Chairman
House Appropriations Committee

FROM: Susan Duffy,
Department of Revenue

RE: Motor Fuel Tax Refund Process

DATE: March 4, 1996

Last week you requested additional information regarding motor fuel tax refunds issued from the Department of Revenue.

Refund claims for FY 1995:

Motor Fuel Regular	
(Gas):	\$2,316,618
(Gasohol):	\$ 11,314
Special Fuel (Diesel):	\$2,717,346
Total Claims processed:	10,620

Motor Fuel Tax Refund Procedure Summary

1. Procedures for review of Motor Fuel Refund Claims within one year:

- Verify claimants name and address on invoice showing fuel purchase.
 - Verify date of invoice is within one year of purchase.
 - Verify that Invoice is from a valid distributor.
 - Add total gallonage from invoice that shows or indicates tax paid.
 - If invoice does not indicate tax for diesel, we will contact the distributor to verify that tax was paid.
 - If invoice is prior to July 1, 1995; verify that a Exemption Permit was not used when the fuel was purchased.
 - Review percentages claimed for power take off refund requests.
 - If harvester claims more than 50%, additional information is requested.
 - Review KICS system to see if balance due owed for individual or other business account.
- These are referred to the Collections Division. Collections will indicate to us if the motor fuel refund can be applied to this balance.
- If a refund is due, the law requires refunds to be issued within 30 days.

3-4-96

House Appropriations

Attachment
3

2. Procedures for review of Motor Fuel Refund Claims **OVER** one year:

- Same as one except that invoice date must be over one year but less than three years from date of purchase.
- Reduce refund claim by \$15.00 or 10% whichever is greater.
- Forward to Legislative Claims Committee.

3. Effect of dyed fuel program:

- Requested locations of retailers who have dyed fuel available. Review claims to see if Dyed fuel could have been purchased. Inform taxpayer of availability.

4. Effect of Motor Fuel Evasion program

- Increase in referrals to Motor Fuel Business Tax or Audit Bureaus for refunds requesting 100% of diesel tax.
- Setoff of individual or business tax balances with motor fuel refunds.
- Review refund permit applications to see if other business or individual income tax has been processed in the past. If not a referral will be made to review if account should have filed other taxes.
- Audit is developing/reviewing industry standards to be used for review of motor fuel refunds based on percentages of taxable versus non-taxable usage.

5. Refund for diesel are requested because:

- Clear diesel is purchased by companies that use a power take off percentage for refund. For example, trash haulers purchase diesel for trucks and request refund for fuel used to load trash into trucks (up to 35%).
- Other diesel purchasers choose to use a station that does not supply dyed fuel.