

Approved: 3-27-96
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 12, 1996 in Room 514-S of the Capitol.

All members were present except: Representative Bradley, 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: Susan Duffy, Department of Revenue
Lola Warner, Conservation Commission
Tony O'Malley, Larkin Associates

Others attending: See attached list

Chairman Jennison called the meeting to order by first recognizing Richard Ryan from KLRD to give the committee a briefing and answer questions on State General Fund Receipts. KLRD staff distributed a handout to the committee concerning the State General Fund Receipts (Attachment 1).

The next order of business was to open hearings on **HB 3045**, a bill concerning the receipt of federal and other grants, and **HB 3067**, concerning interest costs for small lakes. Chairman Jennison recognized Susan Duffy to testify and answer questions concerning the **HB 3045**.

Chairman Jennison then recognized Lola Warner and Tony O'Malley to testify before the committee as proponents of **HB 3067**. Warner gave testimony on behalf of Tracy Streeter (Attachment 2).

After discussion and several questions relating to both, **HB 3045** and **HB 3067**, Chairman Jennison closed hearing on both bills.

It was requested that KLRD staff provide additional information on **HB 3067** for the committee before action is taken.

A motion was made by Representative Carmody, seconded by Representative Mollenkamp, to move **HB 3045** out of committee favorably and have it placed on the consent calendar. The motion carried.

The meeting adjourned at 2:40 p.m.

The next meeting is scheduled for March 13, 1996.



HOUSE APPROPRIATIONS COMMITTEE

GUEST LIST

DATE: 3-12-96

HOUSE OF
REPRESENTATIVES

NAME	ADDRESS	REPRESENTING
Jerry Duwall	Topeka	Ks Water Office
Janelle Amon	Topeka	Ks. Water Office
Anthony O'Malley	Larkin Associates-	Bone Creek Reservoir Public Wholesale Water Supply Dist No. 11
Maurice A. Harley	GIRARD, KS	PWWSO #11 - BONE CREEK
Roger Trautzo	Topeka	FEC
Lola Warner	Topeka	St. Conservation Comm
Kelly Jennings	Topeka	KAPF

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N -- Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

March 5, 1996

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS

July-February, FY 1996

Based on the revised estimate of SGF receipts in FY 1996 made last November, it was estimated that receipts in November through February would total \$1,067,342,000. Actual receipts in those four months were \$44.363 million, or 4.2 percent, above the estimate. (Remember that the figures in the "Estimate" and "Actual" columns under FY 1996 in the following table include actual receipts in July-October.)

Without the unanticipated inheritance tax payment of \$31.254 million received in December, receipts in the last four months would have been \$13.109 million, or 1.2 percent, over the estimate.

Exceeding the estimates by \$1 million or more were inheritance tax receipts, by \$35.752 million (would have been \$4.498 million without the extraordinary payment in December); retail sales taxes, by \$13.480 million; and corporation income taxes, by \$1.686 million.

Falling short of the estimates by at least \$1 million were individual income taxes, by \$2.861 million; insurance premium taxes, by \$2.685 million; and agency earnings and miscellaneous revenue, by \$1.850 million.

Receipts from all of the other 14 sources of revenue were \$0.841 million (net) over the estimate.

Compared to the first eight months of FY 1995, total receipts through February were up 5.5 percent. The increase would have been 4.0 percent without the unanticipated inheritance tax payment in December.

There were two large turnarounds in receipts through February compared with receipts through January. First, as noted above, retail sales taxes were \$13.480 million over the estimate, while they were \$10.305 million below the estimate through January. This swing of \$23.785 million can be accounted for by two main factors: (1) a relatively large amount was carried over to the first few days of February from January and (2) the estimate for February was very light because it was assumed that a substantial amount of February receipts would not get processed in that month but would be carried over to March. But the latter did not happen, so it is likely that sales tax receipts in March will fall well short of the estimate.

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House Appropriations

Attachment

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The second large turnaround was in individual income taxes, *i.e.*, from being \$4.090 million over the estimate through January to \$2.861 million under the estimate through February. This swing was primarily due to a huge increase in refunds; the Department of Revenue reports that approximately 50,000 more refund returns were processed this February compared to a year ago.

In addition, it is worthy of note that a \$2.7 million inheritance tax payment was received from one taxpayer in February.

STATE GENERAL FUND RECEIPTS
July -February, FY1996
(dollar amounts in thousands)

	Actual FY1995	FY 1996			Percent Increase-- FY 1996 Over	
		Estimate*	Actual	Difference	FY 1995	Estimate
Property Tax:						
Motor Carriers	\$ 7,573	\$ 9,600	\$ 8,980	\$ (620)	18.6 %	(6.5) %
Income Taxes:						
Individual	\$ 764,130	\$ 817,000	\$ 814,139	\$ (2,861)	6.5 %	(0.4) %
Corporation	103,669	108,500	110,186	1,686	6.3	1.6
Financial Inst.	16,054	16,000	16,894	894	5.2	5.6
Domestic Ins. Co.	(28)	3	3	0	---	0.0
Total	\$ 883,824	\$ 941,503	\$ 941,223	\$ (280)	6.5 %	(0.0) %
Inheritance Tax	\$ 37,395	\$ 39,600	\$ 75,352	\$ 35,752	101.5 %	90.3 %
Excise Taxes:						
Retail Sales	\$ 770,760	\$ 778,800	\$ 792,280	\$ 13,480	2.8 %	1.7 %
Comp. Use	99,695	101,100	101,583	483	1.9	0.5
Cigarette	34,488	35,000	35,143	143	1.9	0.4
Tobacco Prod.	1,797	1,930	1,961	31	9.1	1.6
Cereal Malt Bev.	1,867	1,715	1,719	4	(7.9)	0.2
Liquor Gallonage	8,528	8,500	8,422	(78)	(1.2)	(0.9)
Liquor Enforce.	16,492	17,000	17,613	613	6.8	3.6
Liquor Dr. Places	3,012	3,040	3,166	126	5.1	4.1
Corp. Franchise	5,869	6,430	6,637	207	13.1	3.2
Severance	50,698	38,900	38,741	(159)	(23.6)	(0.4)
Gas	40,149	28,400	28,764	364	(28.4)	1.3
Oil	10,548	10,500	9,977	(523)	(5.4)	(5.0)
Total	\$ 993,204	\$ 992,415	\$ 1,007,266	\$ 14,851	1.4 %	1.5 %
Other Taxes:						
Insurance Prem.	\$ 39,845	\$ 41,150	\$ 38,465	\$ (2,685)	(3.5) %	(6.5) %
Miscellaneous	548	630	604	(26)	10.2	(4.1)
Total	40,393	41,780	39,068	(2,711)	(3.3) %	(6.5) %
Total Taxes	\$ 1,962,389	\$ 2,024,898	\$ 2,071,888	\$ 46,990	5.6 %	2.3 %
Other Revenue:						
Interest	\$ 39,604	\$ 43,349	\$ 43,348	\$ (1)	9.5 %	(0.0) %
Transfers (net)	(5,951)	(5,095)	(5,871)	(776)	1.3	(15.2)
Agency Earnings and Misc.	30,316	30,394	28,544	(1,850)	(5.8)	(6.1)
Total	\$ 63,969	\$ 68,648	\$ 66,021	\$ (2,627)	3.2 %	(3.8) %
TOTAL RECEIPTS	\$ 2,026,358	\$ 2,093,546	\$ 2,137,909	\$ 44,363	5.5 %	2.1 %

* Consensus estimate as of November 3, 1995.

NOTE: Details may not add to totals due to rounding.

House Bill 3067
House Appropriations Committee
March 12, 1996

Tracy D. Streeter
Executive Director

The State Conservation Commission administers portions of K.S.A. 82a-1601 et seq. [Multipurpose Small Lakes Program (MPSLP)] pertaining to financial assistance for eligible project sponsors. House Bill 3067 amends K.S.A. 82a-1606 to allow state financial participation in certain interest costs incurred by local sponsors in the development of a small lakes project.

The project in question, Bone Creek Reservoir, is located in Crawford County and was funded through the MPSLP in FY 1991, 1992 and 1993. A total of \$2,900,000 is encumbered under state contract. The project is currently under construction and will provide flood control, water supply and recreation benefits to southeast Kansas.

The project sponsor has provided actual bids and estimates for construction, engineering and land acquisition for the reservoir totalling \$4,006,857. The cost-share percentages contained in K.S.A. 82a-1606, when applied to the eligible estimated costs, would provide state financial assistance in the amount of \$2,440,773. Based on the estimated costs, \$459,227 of the total contract amount would be unavailable to the project sponsor as state financial assistance is based on actual costs incurred.

This proposed legislation would make an additional \$199,014 for the Bone Creek project, resulting in an estimated, revised state cost-share total of \$2,639,787.

The State Conservation Commission supports HB 3067 to assist Bone Creek Reservoir in receiving additional funds under contract. However, we question whether this legislation should apply to all project sponsors. Public wholesale water supply and rural water districts do not have taxing authority and therefore have limited ability to generate local funds for small lake projects. Other eligible project sponsors such as cities, counties, and watershed districts have taxing authority and other means of obtaining revenue.

It is the Commission's recommendation that HB 3067 be amended as follows:

"Construction costs and costs of land rights for sponsors without taxing authority may include interest costs and interest payments on loans obtained to pay for construction costs and costs of land rights expended prior to payment of appropriated state funds."

I regret being unavailable to share our views in person and respond to questions. The State Conservation Commission appreciates your consideration of HB 3067 with the recommended amendment.

NOTE: The State Conservation Commission has requested an Attorney General Opinion on K.S.A. 82a-1606 to determine the applicability of interest payments as it pertains to specific interest costs. A copy of the request is attached.

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House Appropriations

Attachment
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State Conservation Commission

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FAX (913) 296-6172

February 23, 1996

Ms Carla J. Stovall, Kansas Attorney General
301 SW 10th
Topeka, KS 66612-1597

Dear Attorney General Stovall:

On behalf of the Kansas State Conservation Commission, I am requesting an Attorney General Opinion relative to the Multipurpose Small Lakes Program (MPSLP) (K.S.A. 82a-1601 et seq.)

A question has been raised by a MPSLP sponsor regarding specific items eligible for state financial assistance. The sponsor is requesting cost-share reimbursement of interest costs and interest payments on private loans obtained to pay for construction costs and costs of acquiring land rights prior to receipt of state payment from appropriated state funds.

K.S.A 82a-1606, paragraph (b) states "The state may provide ... up to 50% of the costs associated with recreation features. The state may pay up to 100% of the engineering and construction costs of flood control and water supply storage." The Commission has interpreted this language to include only the items purchased, procured or installed in relation to construction, engineering and recreation. Interest costs are viewed by the agency to be administrative in nature and therefore ineligible for state assistance. State assistance contracts entered into by the Commission and sponsor are attached. Each contract contains language stating all costs associated with administrative services are the responsibility of the sponsor.

The Commission has no precedent in considering or assisting financially in the reimbursement of interest costs for certain loans. An Attorney General Opinion is requested to determine whether:

Interest payments on loans incurred by the sponsor for construction and land rights associated with recreation can be considered a construction cost or land rights cost under authorities stated in K.S.A. 82a-1606?

I appreciate your assistance in this matter. Please refer any questions which may arise in formulating the Opinion to my attention.

Sincerely,

Tracy D. Streeter
Executive Director

TDS:TDS
Attachment

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