

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 27, 1996 in Room 123-S of the Capitol.

All members were present except: Senator Salisbury

Committee staff present: Alan Conroy, Legislative Research Department
Don Cawby, Legislative Research Department
Tim Colton, 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:

Walt Darling, Fiscal Manager, Kansas Highway Patrol
Colonel McCollum, Kansas Highway Patrol
Nancy Hempen, Douglas County Treasurer on behalf of the Kansas County
Treasurers Association
Gary Bothwell, Director, Grain Inspection Department
Jamie Adams, Vice President of Governmental Affairs, Kansas Grain & Feed Assn.

Others attending: See attached list

SB 662: Certificate of title fees, disposition

Mr. Walt Darling, fiscal manager for the Kansas Highway Patrol, appeared before the Committee in support of **SB 662** and presented his testimony (Attachment 1). He reviewed the financial plan adopted by the 1993 Legislature to fund the Fleet Acquisition Program and told members that the plan does not cover the inflating cost of new vehicles. He testified that this bill would maintain the \$3.50 fee per title for FY 97 and would then decrease the fee to \$2.50 in FY 98 and maintain it at that level. In answer to a question, he stated that the actual cost of vehicles in FY 97 is approximately \$1 million over the estimated cost. Mr. Darling stated that Colonel McCollum was in attendance to answer any questions. Mr. Darling's written testimony included an article titled "The Rising Cost of the Crown Vic," from the December 1995 issue of Law and Order.

Nancy Hempen, Douglas County Treasurer, appeared on behalf of the Kansas County Treasurers Association in support of **SB 662** and requested two amendments to provide for maintenance and upgrade of the VIPS program which are detailed in her written testimony (Attachment 2).

The Chairman announced that the bill would be held until the February 28 meeting.

HB 2595: Grain inspection fee fund retain interest earned on fund balances

Gary Bothwell, Director, Kansas Grain Inspection Department, distributed and reviewed copies of his written testimony in support of **HB 2595** (Attachment 3). He highlighted measures the agency has implemented to cut administrative costs at KGID and reviewed three bills, including **HB 2595**, which the Department has proposed. In answer to Senator Karr, he stated that he believes that retention of the interest and other changes proposed by the agency, including a small increase in the Warehouse Licensing fee, would allow the agency to stay within their budget this year. The Chairman added that this agency has been in financial trouble over the years and asked for SGF monies last year. He observed that the agency has tried to bring costs in line with revenues and has gone about as far as they can. If the Legislature wants inspections to continue, he stated that he believes the Legislature will have to supplement the agency's budget.

Senator Karr inquired what affect the provision within Sub. SB 705 that pertains to the inspection of scales

CONTINUATION SHEET

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and other weighing and measuring devices would have on the Department's budget and revenues. Mr. Bothwell stated that there will be no impact on the agency's budget, and the agency will receive approximately \$.5 million annually for supervising the scales.

Jamie Glover Adams, Vice President of Government Affairs for the Kansas Grain and Feed Association, appeared before the Committee and testified in support of HB 2595 (Attachment 4). She told the Committee that the Grain Inspection Department is the only federally designated department in Kansas that issues official grades and the agency must follow the federal rules if that designation is to be continued.

In answer to a question, it was stated that Wildlife and Parks retains interest on its fee fund because of federal law. Senator Burke expressed his opinion that inspections are an important function which need to be fully funded, but stated that he was more supportive of using SGF monies than of letting the agency retain interest on fees.

In answer to Senator Karr, Mr. Bothwell told members that the Inspection Fund has supported the Warehouse Fund in the amount of approximately \$100,000 per year since 1961, but federal law now requires that monies in the Inspection Fund be spent for inspection and cannot be transferred to the Warehouse Division.

The Chairman summarized what he believed to be the consensus of the Committee, saying that the Committee would prefer to not divert interest that would flow to the SGF. He asked that the Grain Inspection subcommittee review this issue for a possible SGF appropriation.

Senator Lawrence moved, Senator Rock seconded, that the minutes of the February 22 and 23 meetings be approved. The motion carried on a voice vote.

It was moved by Senator Lawrence and seconded by Senator Burke that bill draft 5 RS 2209 as requested by the Department of Administration be introduced. The motion carried on a voice vote.

It was moved by Senator Burke and seconded by Senator Rock that bill draft 5 RS 2151 be introduced as requested by the Department of Administration. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:30 P.M. The next meeting is scheduled for February 28, 1996.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: FEBRUARY 27, 1996

NAME	REPRESENTING
Henrico Aylt	Accessible Aides
Ken Behl	Ks. Governmental Consulting
Jacques Oakes	Ks. Ind. Auto Dealers
LINDA Mc GILL	PMA
Meggen Griggs	FOP
STEVE KEARNEY	FOP
Eileen King	Riley Co Treas + KCTA
Donna D. Shultz	Polk Co Treas + KCTA
Phonda Bonds	Dg City Insur. office
Nancy Hemper	Douglas Co. Treasurer KCTA
Jamie Clover Adams	KEFA
Gary M. Bothwell	Grain Inspection
Glenn D. Cozswell	Ks. Assn of Prof. Sureties
Thomas E. Meyer	Grain Inspection
Ren Scheibmeier	Grain Insp.
Paul Spencer	SRS

Kansas Highway Patrol Fleet Acquisition Program

The Kansas Highway Patrol has been pleased to implement the Fleet Acquisition Program designed and authorized by the 1993 Legislature. The program has provided an increased level of quality in the vehicles driven by the Highway Patrol and provided for high-quality low-priced vehicles for other units of government.

The program was conceived and financed on the basis of a stable new car price and a ready market for the used units returned from the road at 45,000 miles. The new mileage standard was a significant change from the average 100,000 miles used previously. The agency's budget was adjusted downward to reflect anticipated savings from reduced maintenance expenses.

The program was financed through an increase on the fee for title registrations of \$3.50 for a three year period and \$1.00 thereafter. The level of fee increase was set to generate up-front revenues sufficient to purchase enough cars to convert the fleet to a 45,000 mile basis and build up a sufficient reserve to continue vehicle purchases at this level until revenues from the sales of vehicles being removed from the fleet at 45,000 miles would restore total revenues to the level necessary to continue the program indefinitely. The fee was established using new car prices of approximately \$14,000 with an annual cost increase of 2.5 percent. Revenues were based on the issuance of 800,000 titles, increasing at 6.0 percent annually.

Within one year of implementation of the program, the Highway Patrol began receiving signals that the assumptions upon which the fee structure was based were being changed by market factors outside the agency's control. As illustrated below, past history had illustrated a very stable vehicle price. However, it was unknown in 1993 that General Motors would stop production of the police package Chevy Caprice. This left Ford Motor Company as the sole producer of a full-size police package vehicle. Ford immediately increased its price per vehicle. In the first year of the program, the price was increased \$2,231 over the previous year, an increase of 16.4 percent. This price increase required the Highway Patrol to expend approximately \$500,000 out of the accumulating fund balance to acquire the number of vehicles scheduled for that year. In FY 1996, the price was increased again. The current price of \$18,333 is an increase of \$2,517, or 15.9 percent over the previous year. To maintain the thrust of the program and continue the effort to convert to a 45,000 mile fleet turnover point, 216 vehicles are being ordered.

<u>Fiscal Year</u>	<u>Price</u>	<u>% Increase</u>	
FY 1992	\$14,195		Actual
FY 1993	\$14,195	--	Actual
FY 1994	\$13,585	(4.3)	Actual
FY 1995	\$15,816	16.4	Actual
FY 1996	\$18,333	15.9	Actual
FY 1997	\$19,610	7.0	Estimated
FY 1998	\$20,787	6.0	Estimated

The effect of the new price would be to expend \$3,983 per vehicle or \$1.0 million over the original estimate and, when combined with the unanticipated additional expenditures in FY 1995, fully deplete the fund. Thus, under current law, the Highway Patrol will be limited in future years to purchasing the number of vehicles possible under the reduced fee structure. Our current estimates, using the existing vehicle prices (with cost increases assumed at 6.0 percent annually), would provide for 120 cars in FY 1997, but decreasing to 70-75 cars in years thereafter. This level of new car purchase will not maintain the 45,000 mile program and will provide for fewer new vehicles annually than was purchased using monies from the State General Fund during the 100,000 mile program. This unexpected scenario is not acceptable to the Highway Patrol or to the other units of government that supported the establishment of this program for access to good quality used vehicles.

	<u>Original Est.</u>	<u>Revised Est.*</u>	<u>Shortfall</u>
FY 1994	\$2,847,051	\$2,847,051	\$ --
FY 1995	\$3,710,000	\$4,191,240	\$481,240
FY 1996	\$3,587,500	\$4,625,000	\$1,037,500
FY 1997	\$3,235,980	\$4,314,200	\$1,078,220

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FY 1998	\$3,316,720	\$4,573,140	\$1,256,420
FY 1999	\$3,399,660	\$4,847,480	\$1,447,820
FY 2000	\$3,986,215	\$5,138,320	\$1,653,520

* The Revised Estimate is derived by multiplying the original estimate for number of cars purchased by the new price.

The Highway Patrol is not proposing that the program be changed. The program was established for certain benefits by the motoring public. Program assumptions were based on actual historical data and the financing source focused on the motoring public rather than all taxpayers generally. Further, the program has advanced to the point where the first vehicles have reached 45,000 miles and are now becoming available to other units of government, either state or local. These units can purchase a good quality used vehicle for \$12,000 or purchase a new vehicle from private dealers for approximately \$18,500. This proposal does not modify the purpose or scope of the program. It does not provide more flexibility or allow for the purchase of more vehicle options. The proposal simply modifies the revenue stream to provide for the continuation of the existing program.

The Highway Patrol is proposing that the revenue stream established to finance this program be modified to reflect the new reality of car prices. The proposal would maintain the \$3.50 amount on the title fee for one additional year and reduce to \$2.50 for each year thereafter. These amounts assume that the cost increases of the past two years will begin to level off with increases in subsequent years being seven percent or less. The additional revenues available to the current manufacturer should encourage additional manufacturers to enter this production area, further dampening future price increases. Under the modified cashflow, the revenues from vehicle sales are estimated using an average of 70% of the original purchase price in accordance with the original program agreement.

Cashflow Under Existing Law

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Beginning Balance	0	545,540	313,802	381,242	444,900	223,822	156,248
Title Receipts	2,991,131	3,074,945	3,100,000	879,434	901,420	923,956	947,055
Sale of Vehicles	382,795	665,521	1,111,440	1,537,424	748,332	661,020	653,968
Misc	18,665	1,377	0	0	0	0	0
Balance Forward	545,540	313,802	381,242	444,900	223,822	156,248	122,351
Total Expenditures	2,847,051	3,973,581	3,959,928	2,353,200	1,870,830	1,652,550	1,634,920
Price per Vehicle	13,585	15,816	18,333	19,610	20,787	22,034	23,356
Vehicles Purchased		271	216	120	90	75	70

Cashflow Under Proposed Modification

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Beginning Balance	0	545,540	313,802	381,242	389,766	807,205	1,198,025
Title Receipts	2,991,131	3,074,945	3,100,000	3,177,500	2,326,375	2,384,500	2,444,115
Sale of Vehicles	382,795	665,521	1,111,440	1,537,424	3,079,944	3,294,480	3,492,216
Misc.	18,665	1,377	0	0	0	0	0
Balance Forward	545,540	313,802	381,242	389,766	807,205	1,198,025	1,528,916
Total Expenditures	2,847,051	3,973,581	3,959,928	4,706,400	4,988,880	5,288,160	5,605,440
Price per Vehicle	13,585	15,816	18,333	19,610	20,787	22,034	23,356
Vehicles Purchased		271	216	240	240	240	240

Feb. 27, 1996

TO: Sen. Dave Kerr, Chairman
Senate Ways & Means Committee
and
Members of the Committee

FROM: Nancy Hempen, ^{nh} Douglas County Treasurer on behalf of
the Kansas County Treasurers Association.

RE: SB 662

The Kansas County Treasurers Association would like the committee and the Highway Patrol to consider two amendments to this bill.

The first amendment would be to remove the sunset of the title fee and leave the fee at \$7.00.

The second amendment would replace language on page 8, (d) on lines 23 through 29 with:

(d) On July 1, 1996 and thereafter, \$1.75 of each certificate of title fee collected and remitted to the secretary of revenue, shall be deposited with the state treasurer and credited to the Kansas highway patrol motor vehicle fund, \$1.75 shall be deposited in the VIPS (vehicle information processing system) technology and hardware fund.

We make these requests for several reasons:

The VIPS system was the first major overhaul of the vehicle registration processing system in over 30 years. Douglas County was the pilot county for this system when it was implemented in 1988 and our only regret is that it did not happen sooner. Manually processing over 21,000 titles and 80,000 registration applications annually in my county alone was a very inefficient way to serve the public. This processing system has streamlined the vehicle registration and titling process significantly. Although the system was successfully implemented with minimal problems, no funding is available for maintenance, replacement, or enhancements of existing equipment.

The VIPS program was financed through an increase in the title fee for three years. The \$9,000,000 collected from that increase paid for the computer hardware in all 105 counties. As agents for the Division of Motor Vehicles, we have consistently, since 1988, requested enhancements as well as upgrading of our equipment and programs. Without the dollars for some kind of continual maintenance and program upgrade, we cannot continue to provide the level of service to individuals that is expected by the Department of Revenue.

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The state owned IBM system 36 placed in my county for VIPS is at maximum capacity (which means no space for additional program updates or growth in my county for the registration process). During a study committee last summer, which my Motor Vehicle Supervisor served on, it was determined that 16 other counties with state owned computers have reached the maximum capacity. Many others will experience the same problem as we continue to grow.

Many counties have upgraded to other systems at their own cost but this has caused additional problems for the Department of Revenue in trying to provide programming updates for the different systems.

Currently, there are no monies allocated to enhancing, upgrading or the replacement of outdated equipment. A quality system of this magnitude (which cost \$9,000,000 to implement) deserves to have some dollars allocated to preserve the system. This system serves an overwhelming majority of the people of this state and should be able to continue giving the quality of service the system was originally designed to give.

In 1991, we were unsuccessful in retaining a portion of the \$9.00 title fee (for the same reasons I am here today) before it reverted back to \$3.50. The situation has not changed except that our VIPS system is now eight years old and still no money has been allocated to preserve the original \$9,000,000 investment. In 1993, at the request of the Highway Patrol, the title fee was raised to \$7.00 for three years to allow for purchase of patrol cars. (As determined in a study committee this summer, over 800,000 titles are sold annually. Over a three year period, that calculates to \$8,400,000.) In fairness, we did not ask for money, but respected their need for an increase to purchase the vehicles over a limited term.

Removing the sunset on the \$7.00 title fee, allowing \$1.75 to the highway patrol motor vehicle fund and \$1.75 to a "VIPS technology and hardware fund" (a fund that would have to be set up) reinforces the need for both requests.

If monies are not soon allocated to upgrade counties such as mine, VIPS will not be able to continue in the manner it was designed for and the initial \$9,000,000 investment will soon be lost. The \$1.75 per title would generate \$1,400,000 statewide a year if 800,000 titles were sold. This would be just a beginning for upgrading the technology and hardware. Removing the sunset is essential if the state intends to keep the VIPS program as our registration processing system.

The County Treasurers Association is supportive of this proposal with the referenced changes. We hope the committee will give favorable consideration to this request and I would be happy to answer any questions.

THE STATE OF KANSAS

BILL GRAVES
GOVERNOR



GARY M. BOTHWELL
DIRECTOR

GRAIN INSPECTION DEPARTMENT

GENERAL OFFICE

110 NE Lyman Rd., P.O. Box 8368, Topeka, Kansas 66608-8368

INSPECTION DIVISION

WAREHOUSE DIVISION

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INSPECTION POINTS

ATCHISON	KANSAS CITY
COLBY	SALINA
DODGE CITY	TOPEKA
HUTCHINSON	WICHITA

Chairman Kerr and distinguished members of the Committee, I am Gary Bothwell, Director of the Kansas Grain Inspection Department (KGID). Thank you for allowing me to appear before you today.

Governor Graves appointed me to this position on January 9, 1995. When he and I visited about my appointment, he expressed confidence that my experience and knowledge from 36 years of service as a civil servant at KGID would enable me to make necessary changes. Our FY 1996 budget requested \$131,000 in state general funds to supplement industry fees in the warehouse program. This was only the second time in the nearly 90 year history of the warehouse program that state general funds were needed. While your committee agreed to give us \$90,000, you also requested we develop a plan for financing the Warehouse Division without state general fund dollars.

As you requested, we have developed a plan and have submitted our FY 1997 budget requesting no state general funds. Before I get into the nuts and bolts of H.B. 2595, which is also part of our self-sufficiency plan, I would like to outline what we have done administratively to cut costs at KGID. A table showing total estimated savings follows.

1. We changed the examiner's standard work week to four nine-hour days and four hours on Friday. They are required to be home on Thursday evening and to work on files on Friday. We estimate the **annual per diem savings at approximately \$20,000.**

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2. We increased the minimum mileage for an overnight stay to 60 miles. The annual per diem savings is included in the figure in number one.
3. We exchanged the mini vans leased from the central motor pool for compact cars. We estimate an **\$8,000 savings each year.**
4. We obtained new office space in North Topeka and are combining our general office with the North Topeka laboratory. The Department is **saving approximately \$27,000 per year** in lease costs.
5. The Warehouse Division examiners and headquarters management now hold one meeting annually instead of two.
6. The Inspection Division is now operating under fluctuating hours with a savings in overtime of approximately \$26,000 so far this year. This will lead to an **approximate annual savings of \$45,000.**

ADMINISTRATIVE CHANGES

ANNUAL SAVINGS

Proposal 1 - Work Week & Overnight Stay	\$ 20,000
Proposal 3 - Compact Cars	8,000
Proposal 4 - New Office Space	27,000
Proposal 6 - Fluctuating Hours	45,000
TOTAL ANNUAL SAVINGS	\$100,000

In addition to these administrative changes, we have proposed a package of legislation that has been submitted as three separate bills. H.B. 2595 -- the focus of our discussion today -- would allow us to retain the interest on our fee fund. We make this request because of changes made during the reauthorization of the Federal Grain Inspection Service (FGIS) by Congress in 1993. In part, the changes state "a state...governmental agency will not use any moneys collected pursuant to the charging of fees for any purpose other than the maintenance of the official inspection operation of the State...government agency." Since FGIS designates KGID as the official grain inspection agency in Kansas, KGID is subject to their regulation.

Governor Graves supports this bill and so we have included the interest on the fee fund in our FY 97 budget. We estimate the Inspection Division portion at approximately \$64,324.

Further, I also requested and the Governor and Budget Director agreed that we could propose that the Warehouse Division also be able to retain its portion of the interest on the fee fund. We estimate the Warehouse Division share to be approximately \$4,800 per year. While this may seem like a small amount, all these small amounts add up and help us reach the goal set by this committee last year -- self-sufficiency of the Warehouse Division.

I would also like to quickly outline the other items in our legislative package. Full hearings on these proposals were held in the Agriculture Committee. H.B. 2641 proposes to raise the maximum charge for amending a warehouse license and to raise the hourly maximum charge for additional voluntary audits. H.B. 2643 would allow KGID to license elevators across state lines that have headquarters in Kansas. We estimate this will raise an additional \$10,000 annually. The bill also allows elevators to file once instead of annually their maximum and minimum charges unless there is a change. This will eliminate a nonproductive paperwork exercise for both the elevator and Warehouse Division personnel. Finally, H.B. 2643 gives KGID more authority to set inspection fees. The director would set the fees, receive approval from the Grain Advisory Commission and the Federal Grain Inspection Service (FGIS). Under our designation, all fees must be approved by FGIS.

H.B. 2595, H.B. 2641 and H.B. 2643 have all passed the House.

Thank you for allowing me to appear today. H.B. 2595 allows Kansas Grain Inspection to retain the interest on its fee fund and is an important component in our self-sufficiency plan.

Mr. Chairman and members of the Committee, I am Jamie Clover Adams, Vice President of Government Affairs for the Kansas Grain and Feed Association (KGFA). We appreciate the opportunity to appear today in support of H.B. 2595.

KGFA is a voluntary state organization founded in 1896 providing governmental representation, educational opportunities and a wide variety of other services to the vast and indispensable grain and feed marketing system. The 1200 members of the KGFA include country elevators, subterminal and terminal elevators, feed manufacturers, grain merchandisers and allied industries such as railroads, grain exchanges, equipment manufacturers and insurance firms.

I have attached two pieces of background material I felt would be useful to the Committee. First, is an organizational chart of the Kansas Grain Inspection Department (KGID). As you can see, the Department is divided into two divisions. I would call your attention to the permissive nature of the Grain Inspection Division. Elevators are only required to obtain official grades when requested by the buyer. Parties to a contract can agree to use unofficial grading services. Second, I have included two bar graphs that highlight the tremendous change the grain industry has undergone in the past decade. The number of state licensed facilities in Kansas has dropped nearly 40% since 1986.

KGID is the agency designated by the Federal Grain Inspection Service (FGIS) to perform official grading services in Kansas. No other entity can issue official grades in the state. KGID derives their authority to issue official grades from their FGIS designation which must be renewed every three years. The current designation runs through August, 1997. Currently, 8 coastal states are FGIS delegated (FGIS does the work in those states) and 10 states are designated (like Kansas). The remainder of the country is covered by 48 different private agencies.

H.B. 2595 permits KGID to retain the interest on their fee fund. We make this request because of language passed by Congress in 1993 when they reauthorized FGIS. The legislation stated that a FGIS designated state government agency must not use any moneys collected pursuant to the charging of fees for any purpose other than the maintenance of the official

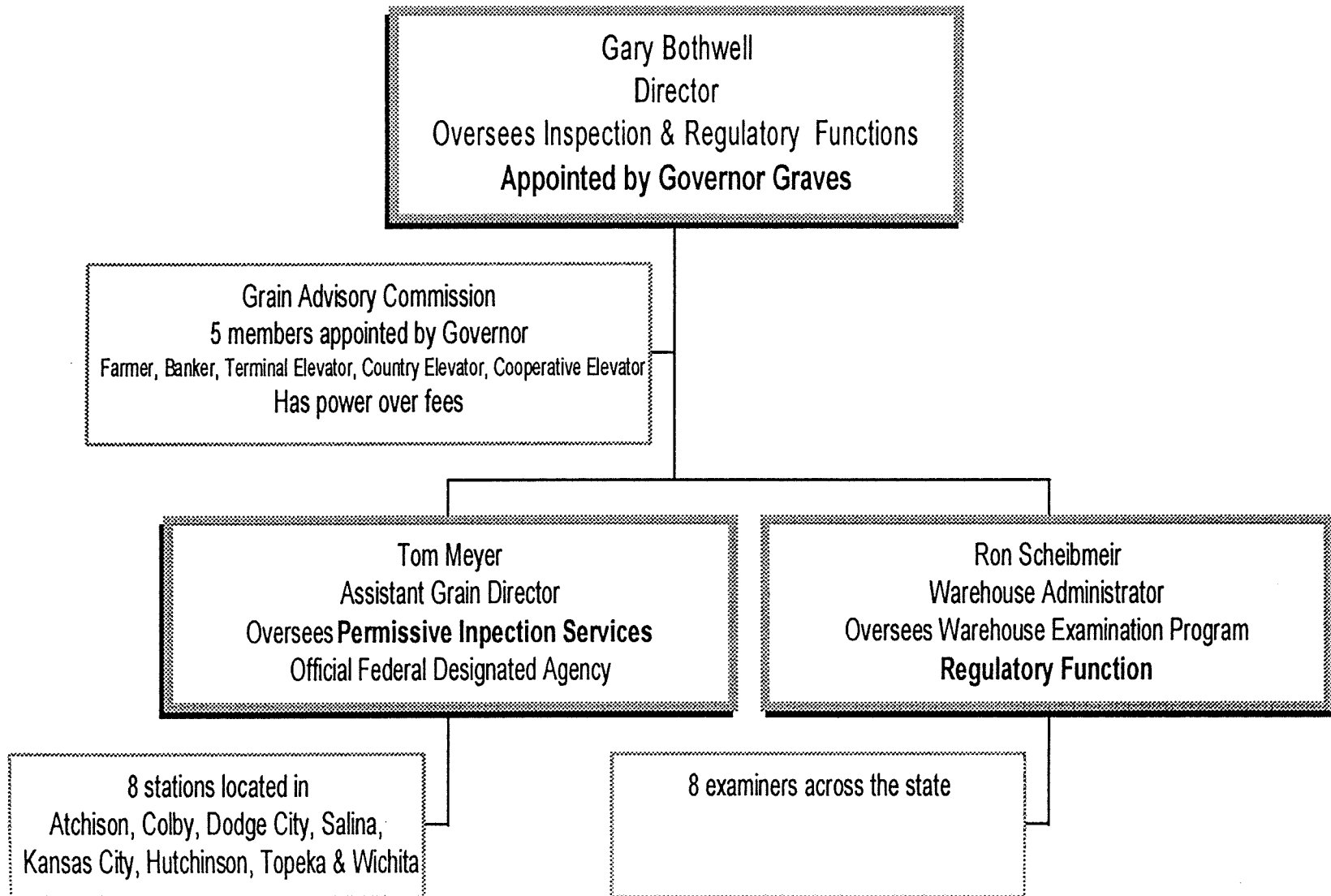
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Attachment 4*

inspection operation. Since that time, FGIS has ruled that interest on fee funds falls within this requirement. The Department estimates that interest on the total fee fund will be approximately \$69,124 annually -- \$64,324 to the Inspection Division and \$4800 to the Warehouse Division. Governor Graves supports the inclusion of the Warehouse Division interest in this proposal even though the FGIS ruling does not have jurisdiction over this function of KGID.

Thank you for this opportunity to appear today. I would be happy to answer any questions you may have.

KANSAS GRAIN INSPECTION DEPARTMENT

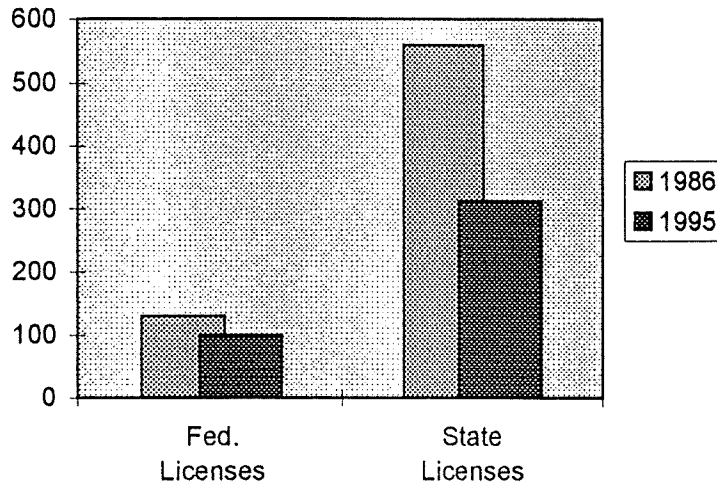
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Grain Industry History

In the last decade, the grain industry has undergone tremendous change. Capacity has dropped nearly 13% in large part due to the record number of acres idled in Kansas under farm programs. Further, the number of licensed facilities in Kansas has dropped nearly 40% since 1986.

**Federal & State Licensed Elevators
1986 & 1995**



**Federal & State Capacity
1986 & 1995**

