

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Kenny Wilk at 9:05 a.m. on February 6, 2001, in Room 514-S of the Capitol.

All members were present except: Representative Spangler

Committee staff present: Alan Conroy, Legislative Research  
Rae Anne Davis, Legislative Research  
Debra Hollon, Legislative Research  
Jim Wilson, Revisor of Statutes  
Mike Corrigan, Revisor of Statutes  
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Attorney General Carla Stovall  
Kathy Porter, Office of Judicial Administration  
Derl Treff, Pooled Money Investment Board  
Richard Kline, Juvenile Justice Authority

Others attending: See Attached

Representative Stone moved for the introduction of legislation which would extend the consumer protection law regarding certain motor vehicles. Motion was seconded by Representative Feuerborn. Motion carried.

Representative Kline moved for the introduction of legislation which would amend the statute regarding architectural fees on state projects. Motion was seconded by Representative Neufeld. Motion carried.

Representative Campbell moved for the introduction of legislation which would increase the spending limit for school districts and certain other municipalities from \$10,000 or the current threshold to \$20,000 before they would have to seek bids for an item. Motion was seconded by Representative Minor. Motion carried.

Representative Campbell moved for the introduction of legislation which would require full disclosure of special assessments by realtors at the time of closing. Motion was seconded by Representative Peterson. Motion carried.

Representative Nichols moved for the introduction of legislation which would authorize an ad hoc 1.5 % COLA retirement benefit increase for public employees. Motion was seconded by Representative Stone. Motion carried.

Representative Nichols moved for the introduction of legislation which would authorize a policy establishing sales tax credit for social services offered by faith-based organizations. Motion was seconded by Representative Landwehr. Motion carried.

Attorney General Carla Stovall provided an update on the status of the tobacco money receipts. To date Kansas has received \$86.475 million with \$18.25 million coming in January and another \$33 million is expected in April. Kansas should receive \$1.6 billion in the next 20 years. Possible threats to the delivery of these monies are:

- Medicaid recipient law suits
- Litigation at the national level. Star Tobacco, which is currently distributing tobacco products and has direct connections with the large tobacco companies which were sued, was not a part of the original lawsuit.
- The federal government may withhold payments from the tobacco companies if the states are found to be using the tobacco money for other purposes than promoting smoking prevention marketing to children, i.e. bridges, highways, the funding of other state programs.
- Enforcement provisions for non-participating manufacturers
- Potential bankruptcy of tobacco companies due to punitive damages awarded in the billions in a Florida case.

Attorney General Stovall presented a general update and review of the water litigation cases with Colorado and Nebraska. The Special Master has indicated that he wants to push the Nebraska case forward rather than it taking the usual length of 12 to 15 years. This will require more money being appropriated in a shorter time frame than had been expected.

Representative Neufeld moved that the open meeting of the House Committee on Appropriations be recessed for a closed, executive meeting pursuant to subsection (b)(2) of K.S.A. 2000 Supp. 75-4319 for the purpose of consulting with the Attorney General and members of the staff of the Attorney General relating to certain litigation regarding interstate water rights, which are matters which would be deemed privileged in the attorney-client relationship, that the House Committee on Appropriations resume the open meeting in this room, Room 515-S of the Statehouse, at 10:00 a.m., and that this motion if adopted be recorded in the minutes of the House Committee on Appropriations and be maintained as a part of the permanent records of the committee. Motion was seconded by Representative Nichols. Adopted at 9:35 on February 6, 2001.

The Committee recessed for the closed, executive meeting. The Committee resumed the open meeting at 10:00 a.m.

Chairman Wilk announced that **HB 2121** had been assigned to the Budget Committee on Education. **HB 2202** has been assigned to the Budget Committee on Social Services.

#### **Hearing on SB 15 – Remittance of state moneys to the state treasurer**

Alan Conroy, Legislative Research Department, explained that this bill was a recommendation from the Legislative Budget Committee as a clean-up bill. The agencies which are exempted from making the daily deposits with the State Treasurer are listed according to the Division of Budget, there would be no fiscal impact.

Kathy Porter, Office of Judicial Administration, presented testimony in support of the bill but with the exception that the district court system be allowed to continue their remittance system of once a month (Attachment 1). She explained the difficulties for their system in that they are required to balance out each day and the larger counties would have to close out the day by noon to meet the proposed remittance system. The Senate has suggested running a trailer bill to make this exception as **SB 15** is very costly to reprint. The Pooled Money Investment Board currently has approved to the exception for the Judicial Branch, but the OJA would like to have it put in the statutes as PMIB members change.

Derl S. Treff, Director of Investments of the Pooled Money Investment Board, reminded the Committee of the 550 references which were changed in this bill (Attachment 2). The OJA and 21 other exceptions to the requirement for daily deposits to the state treasurer have been granted by the PMIB. Exceptions are granted through a formal request and the approval of the request in the minutes.

The hearing on **SB 15** was declared closed by the Chair.

#### **Hearing on SB 18 – Grants from the juvenile justice authority for juvenile justice programs may be for a two-year cycle beginning fiscal year 2003**

Debra Hollon explained that the bill would allow grants to be based on a two-year program but would contain the same amount of appropriated money. There was no fiscal note on the bill.

Richard Kline, Assistant Secretary of the Juvenile Justice Authority, said the grants are now offered on an annual budget. This causes difficulty for community-based agencies to budget for their yearly programs. Enhancement for existing programs could be submitted on a separate budget.

The Committee agreed that the programs could be more effective and accountable if the grants were on a two-year cycle.

Chairman Wilk declared the hearing closed on **SB 18**.

Alan Conroy, Legislative Research Department, distributed a memo regarding the State General Fund Receipts July through January, FY 2001 (Attachment 3).

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for February 7, 2001.

# COMMITTEE GUEST LIST

DATE: 2/6/01

NAME	REPRESENTING
Richard Kwerth	KDWP
Melinda Gaul	DOB
Marla Goodrich	PMIB
DERL TREEE	PmIB
Bill Watts	KDET
<del>Pat Deever</del>	
Aryn Deever	
Chad Hedrick	
Greg Watt	Emporia State





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## **Testimony to House Appropriations Committee on Senate Bill 15**

Kathy Porter, Office of Judicial Administration

Tuesday, February 6, 2001

The intent of SB 15 is clear, and it makes good budget sense. Requiring funds to be remitted to the State Treasurer on a daily basis would allow the state to take advantage of the more favorable interest rates available to the Pooled Money Investment Board, and would result in more funds available to the State General Fund.

The Judicial Branch was not requested to submit a fiscal note on this bill. However, the cost of remitting moneys to the State Treasurer on a daily basis, rather than a monthly basis, must be considered together with the merits of the bill.

Clerks statewide collect a variety of fees and payments on a daily basis, including docket fees, fines, restitution for the victims of crimes, probation supervision fees, marriage license fees, bond forfeitures, attorney fees for the Board of Indigents Defense Services, lien fees, drivers' license reinstatement fees, judgments ordered to be paid into the court, and other fees and payments. Those fees and payments are balanced by the clerks of the district court in 105 counties on a daily basis. The daily balancing assures that the cash balance collected by the clerks corresponds with the filings and collections of that office.

The process becomes more complex in the larger counties. In Sedgwick County, for example, approximately 50 clerks in six departments process case transactions on a daily basis. Each clerk must balance individually, and then the amounts collected by individual clerks are balanced by a supervisor. Accounting staff then balance the funds for the entire office, but that process generally cannot be completed until the following day. If the entire accounting process is to be completed at the close of business each day, the courts must either not allow filings after a certain point in the day or the accounting for one day's transactions must be balanced the following day. In larger counties, this could mean that the books would have to be closed by noon or earlier.

If funds are required to be remitted to the state on a daily basis, the month-end accounting process completed by each clerk would have to be added to the daily process. Current law places the funds collected by clerks into different categories, and these are broken out in different ways and remitted to different entities. Attached is the current monthly report to the State Treasurer that must be completed by each clerk. Funds collected must be correctly noted by category

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ATTACHMENT 1

because statutes specify those entities that receive percentages of the fines, penalties, and forfeitures collected (including the Crime Victims Compensation Fund, the Crime Victims Assistance Fund, and the State General Fund); those entities that receive percentages of the clerk's fees collected (including the Access to Justice Fund, the Juvenile Detention Facilities Fund, the Judicial Branch Education Fund, the Protection from Abuse Fund, the Protection from Abuse Trust Fund, the Crime Victims Assistance Fund, the Judiciary Technology Fund, the Dispute Resolution Fund, the Kansas Endowment for Youth Trust Fund, the Family and Children Investment Fund, the Nonjudicial Salary Initiative Fund, the Trauma Fund, and the State General Fund). Similarly, marriage license fees and drivers license fees are distributed to a variety of funds.

All amounts paid in must, of course, be credited to the correct case, but judgments, restitution, and other fees that are not paid into the state must be both credited to the correct case and paid out to the correct parties. Not noted on the form are those amounts that remain local, such as the law library fund, restitution to victims of crime, the portion of civil docket fees that go to the county to offset service of process costs, copy charges, and the prosecuting attorneys trust fund. Those amounts must also be balanced, but are not remitted to the state.

Unfortunately, mistakes are sometimes made in the way payments are categorized. Adjustments are made as mistakes are discovered, but a major check is completed at month's end when the daily balance totals are checked against the bank statement. The current system is not perfect, but the majority of errors are caught and corrected through the month-end balancing process. The amount of staff time required to complete this monthly "break-out" of funds varies from county to county depending upon the volume of transactions, with some smaller counties requiring as little as half a day to perform the month-end accounting. Sedgwick County reports that the month-end accounting requires around three days to perform.

Clerks of the district court throughout the state are not accountants, and most clerks probably have little or no accounting or bookkeeping experience outside of their district court training and experience. However, day after day and year after year they do a wonderful job of remitting accurately millions of dollars to the state and countless other persons and entities. Requiring them to perform on a daily basis the tasks they currently perform on a monthly basis, without the additional check of a bank statement, invites error. Moreover, other problems are created. One problem is that the clerks sometimes receive bad checks, which obviously are not discovered until at least several days after they are deposited. Currently, bad checks are adjusted out of the total collected as soon as they are discovered. If remittances are made on a daily basis, many smaller and mid-size courts will not have the daily cash flow needed to balance out the bank account. In essence, the clerks will have written an insufficient funds check to the State Treasurer, a crime victim, or any one of the other entities listed above and could incur bank fees in the process. Requiring the clerks to do on a daily basis the accounting steps they perform on a monthly basis would require, at a minimum, an additional 13 accounting technicians at an annual cost of \$363,685, including fringe benefits.

An additional problem is that, as noted above, not all funds collected are paid out to the state. If all funds went to the state, any error subsequently discovered would require only an accounting entry to correct it. When funds must be paid out to different entities, however, payment to the wrong person or entity would mean that the funds must first be recovered from the party to whom they were paid in error, then the error must be corrected.

Currently, although much of the accounting procedure is not a computerized process, the clerks' offices do use the Judicial Branch's accounting system to reconcile their accounts and

make monthly remittances to the various county and state accounts. At a minimum, the system would require some reprogramming costs which cannot be estimated accurately at this time. However, the cost of the reprogramming, implementing, and training the clerks is roughly and conservatively estimated at \$50,000. Complicating this situation is that fact that, although all counties are required to interface with the Judicial Branch's accounting system, many have individual computer systems that would require reprogramming costs that would have to be borne by the counties.

On an annual basis, the clerks collect in excess of \$30 million for the state treasury, including funds that go to the State General Fund and other funds, and that is remitted to the state on a monthly basis. Included in that amount is interest from the funds earned in clerks' local accounts, which totaled \$302,425 in FY 2000. What the state would gain by including the Judicial Branch in SB 15 is the difference between that \$302,425 and what the state could earn from the daily deposits. However, the additional costs and the greatly increased potential for serious error must also be considered.

While SB 15 makes sense for most of government and would generate additional revenue, I respectfully request that the provisions of the bill not apply to funds collected and disbursed by the Judicial Branch.



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**TESTIMONY FOR SB 15**

by  
Derl S. Treff  
Director of Investments  
Pooled Money Investment Board  
February 6, 2001

The Honorable Kenny Wilk, Chairman  
House Committee on Appropriations  
Statehouse, Room 514-S  
Topeka, Kansas 66612

Representative Wilk and Members of the Committee:

This proposed bill essentially makes all of the language in the Kansas Statutes consistent as it relates to the timely remittance of moneys to the State Treasurer. The procedures to accomplish this goal of timely remittance of state moneys were actually put into place during FY98. This proposed bill simply cross-references existing statutes addressing remittance of moneys to the State Treasurer to the requirements set forth in K.S.A. 75-4215.

Since all of the effort to accomplish a more timely remittance of state moneys was expended in FY98 there is really no ongoing dollar impact on our budget and these procedures were implemented at that time within current staffing and operating expenditures levels. It was estimated at that time that implementing these new procedures would generate an additional \$500,000 to \$750,000 in additional interest income to the state. This bill simply ensures that the state continues to reap this benefit.

The long-range fiscal effect of the bill insures that cash (moneys) flow as quickly as possible into the state treasury where they can be invested immediately by the Pooled Money Investment Board at a higher rate of interest than the individual agencies can earn on their balances.

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The only testimony in opposition to SB 15 in the Senate Ways and Means Committee hearing on January 16, 2001 came from the Office of Judicial Administration. They felt that they had legitimate reasons to continue to remit their moneys to the Kansas State Treasurer on at least a monthly basis.

This exception was considered at the Pooled Money Investment Board meeting on January 18, 2001. The board voted to grant an exception to the Office of Judicial Administration, which allows them to continue to deposit their moneys on at least a monthly basis. The board has authority to grant exceptions under K.S.A. 75-4215.



# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 6, 2001

To: Legislative Budget Committee

## State General Fund (SGF) Receipts July through January, FY 2001

This is the third month of experience under the revised estimate of SGF receipts in FY 2001 made by the Consensus Estimating Group on November 3, 2000. The figures in both the "Estimate" and "Actual" columns under FY 2001 on the following table include actual amounts received in July-October. Thus, this report deals mainly with the difference between estimated and actual receipts in November through January.

**Total receipts through January of FY 2001 were \$47.6 million or 1.9 percent below the estimate.**

Taxes falling below the estimate by more than \$1.0 million were corporation income (\$28.5 million), sales (\$20.7 million), estate (\$8.1 million), individual income (\$3.4 million), and insurance premiums (\$4.7 million). Last month's report noted that corporation income tax receipts had been affected materially by the processing of an extraordinary number of refunds in an effort to reduce a backlog. In January, this source continued to fall further behind the estimate.

Tax sources that exceeded the estimate by more than \$1.0 million were financial institutions privilege (\$1.5 million), compensating use (\$1.1 million), and severance (\$1.1 million).

Interest earnings and transfers to the SGF exceeded the estimate by \$2.6 million and \$17.0 million, respectively, while agency earnings fell below the estimate by \$3.6 million. Transfers to the SGF were enhanced by an \$18.2 million, sooner than anticipated, payment of tobacco settlement proceeds. The transfer had been expected in April 2001.

Total receipts through January of FY 2001 exceed those through January of FY 2000 by \$163.8 million or 7.0 percent.

This report excludes the January deposit of \$150.0 million due to issuance of a certificate of indebtedness. The certificate will be discharged prior to the end of the fiscal year.

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ATTACHMENT #3

**STATE GENERAL FUND RECEIPTS**  
**July-January, FY 2001**  
(dollar amounts in thousands)

	Actual FY 2000	FY 2001			Percent Increase-- FY 2001 Over	
		Estimate*	Actual	Difference	FY 2000	Estimate
<b>Property Tax:</b>						
Motor Carriers	\$ 10,751	\$ 10,600	\$ 10,925	\$ 325	1.6 %	3.1 %
<b>Income Taxes:</b>						
Individual	\$ 1,016,056	\$ 1,099,000	\$ 1,095,579	\$ (3,421)	7.8 %	(0.3) %
Corporation	114,969	130,000	101,494	(28,506)	(11.7)	(21.9)
Financial Inst.	11,047	11,650	13,194	1,544	19.4	13.3
Total	\$ 1,142,072	\$ 1,240,650	\$ 1,210,268	\$ (30,382)	6.0 %	(2.4) %
Estate Tax	\$ 43,331	\$ 30,500	\$ 22,378	\$ (8,122)	(48.4) %	(26.6) %
<b>Excise Taxes:</b>						
Retail Sales	\$ 860,685	\$ 869,000	\$ 848,262	\$ (20,738)	(1.4) %	(2.4) %
Comp. Use	118,089	132,000	133,084	1,084	12.7	0.8
Cigarette	29,099	29,500	28,733	(767)	(1.3)	(2.6)
Tchacco Prod.	2,189	2,500	2,410	(90)	10.1	(3.6)
Cereal Malt Bev.	1,440	1,520	1,451	(69)	0.7	(4.6)
Liquor Gallonage	8,741	9,200	8,689	(511)	(0.6)	(5.6)
Liquor Enforce.	19,713	21,010	20,844	(166)	5.7	(0.8)
Liquor Dr. Places	3,248	3,550	3,613	63	11.3	1.8
Corp. Franchise	6,644	7,150	6,732	(418)	1.3	(5.8)
Severance	29,700	49,200	50,269	1,069	69.3	2.2
Gas	22,744	41,100	42,427	1,327	86.5	3.2
Oil	6,956	8,100	7,842	(258)	12.7	(3.2)
Total	\$ 1,079,549	\$ 1,124,630	\$ 1,104,087	\$ (20,543)	2.3 %	(1.8) %
<b>Other Taxes:</b>						
Insurance Prem.	\$ 30,469	\$ 29,300	\$ 24,615	\$ (4,685)	(19.2) %	(16.0) %
Miscellaneous	585	850	694	(156)	18.7	(18.3)
Total	\$ 31,054	\$ 30,150	\$ 25,309	\$ (4,841)	(18.5) %	(16.1) %
<b>Total Taxes</b>	<b>\$ 2,306,758</b>	<b>\$ 2,436,530</b>	<b>\$ 2,372,967</b>	<b>\$ (63,563)</b>	<b>2.9 %</b>	<b>(2.6) %</b>
<b>Other Revenue:</b>						
Interest	\$ 47,128	\$ 50,400	\$ 53,015	\$ 2,615	12.5 %	5.2 %
Transfers (net) **	(44,676)	35,650	52,694	17,044	--	(47.8)
Agency Earnings and Misc.	33,050	31,000	27,351	(3,649)	(17.2)	(11.8)
Total	\$ 35,502	\$ 117,050	\$ 133,061	\$ 16,011	-- %	13.7 %
<b>TOTAL RECEIPTS***</b>	<b>\$ 2,342,261</b>	<b>\$ 2,553,580</b>	<b>\$ 2,506,028</b>	<b>\$ (47,552)</b>	<b>7.0 %</b>	<b>(1.9) %</b>

\* Consensus estimate as of November 3, 2000.

\*\* Estimates include transfers out attributable to Project 2000 of the Dept. of Revenue. Actual tax receipts from the Project cannot be separately identified.

\*\*\*Does not include \$150.0 million to the SGF from issuance of a certificate of indebtedness.

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

Kansas Legislative Research Department

06-Feb-01