

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 1:40 p.m. on April 3, 2002, in Room 243-N of the Capitol.

All members were present except: Senator Haley

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list.

Senator Corbin called the Committee's attention to copies of the "Report of the Senate Budget Solutions Working Group." (Attachment 1) He noted that the Budget Solutions Committee met during the past three weeks to address budget shortfall issues and recommend solutions, but it did not vote on any proposal. It was the consensus of the Budget Solutions group to offer the proposals outlined in the report as a starting place for further consideration. Senator Corbin gave a brief overview of the contents of the report, which includes an outline of proposals to the working group, an itemization of amended budget adjustments for Fiscal Year 2003, a list of State General Fund expenditures for state agencies, and a revenue proposal.

For the Committee's information, Senator Corbin turned the Committee's attention to a handout listing the Governor's new tax enhancement recommendations. (Attachment 2) In addition, he called attention to recommendations by a House Select Committee which met to discuss means to put money back into highway programs. (Attachment 3)

Senator Corbin explained that Senator Donovan presented a proposal to the working group which the group considers to be a starting point. Senator Donovan discussed his revenue enhancement plan with the aid of a handout. (Attachment 4) At the outset, he commented that his proposal is simple, fair and easy to understand, and it has a possibility of receiving enough votes. He discussed the following elements of his proposal: a sales and use tax increase, an expansion of the food sales tax refund program and a repeal of sales taxation on food in 2004, a tax increase on tobacco products, an increase in the cigarette tax, acceleration of the one cent motor fuels tax, and an increase in motor vehicle registration fees. He noted that, once the sales tax on food is repealed in 2004, the state will gain approximately \$25 million per year because the food sales tax rebate program will not longer be in place. He observed that most of the food sales tax is paid by Kansas residents, but a significant percentage of the sales, fuel, and cigarette taxes is paid by people who are just passing through the state. He pointed out that, under his plan, an additional \$321 million would be raised the first year. He commented that he has not favored raising taxes in the past, but he feels his plan is a fair and just way to get the state back into the same revenue stream in two years.

Senator Corbin commented that the working group was unable to find any more ways to cut the budget. In addition, he said the Committee may want to consider the issue of "decoupling" from the recent federal tax act which would result in a loss of \$25 million for Kansas. He went on to say that he does not feel that the Committee should pass a budget proposal in the next two to three days in view of the fact that the budget will not be debated until April 10 at which time it will be known where the "holes" are. He noted that his intent in calling the meeting was to allow time for discussion.

Senator Praeger began a discussion regarding proposals to increase the cigarette tax. Senator Donovan expressed his opinion that too great of an increase in the cigarette tax would result in the creation of black market for cigarettes, and revenue from cigarette sales in Kansas would be greatly reduced. Committee discussion followed regarding the effect that a tax increase has on consumption for both adults and youth. Senator Donovan commented that statistics show that cigarette consumption is not related to the amount

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 1:40 p.m. on April 3, 2002, in Room 243-N of the Capitol.

taxation. Senator Praeger commented that smoking related health care costs in Kansas' Medicaid program were close to \$70 million last year and that a loss in cigarette tax revenue due to reduced consumption would be replaced by reduced health care costs.

Senator Lee expressed her concern that the state would not be able to maintain the repeal of the sales tax on food in 2004 as in Senator Donovan's proposal. She felt that perhaps it would be better to phase in the elimination of the sales tax on food over a period of four years.

The minutes of the March 27 and 28, 2002, meetings were approved.

The meeting was adjourned at 2:15 p.m.

The next meeting is scheduled for April 4, 2002.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: April 3, 2002

NAME	REPRESENTING
Martin Hawver	Hawver's Capitol Report
KEVIN WALKER	American Heart Ass'n.
Halley Finney	Ks. Public Health Assoc.
Pam Dunkes	DAB
Cindy Deaton	Budget
Tom Whitaker	Ks Motor Carriers Assn.
Deann Williams	KS motor Carriers Assoc.
Karl Peterjohn	KS Taxpayers Network
GEORGE PETERSEN	Ks Taxpayers Network
Mal Ouffy	Kansas Water Office
Tom Brand	GRBA
John Peterson	Ks Government Consulting
Paul Johnson	Hein-Land firm
Joe Jarree	BOEING
DENNY KOCH	UST PUBLIC AFFAIRS INC.
Mark Tallman	Kans. Assoc. of School Boards
Mike Beam	Ks. LUSTK. ASSN.
Robert Hale	KDOT
Nancy Bogina	KDOT

REPORT OF THE SENATE BUDGET SOLUTIONS WORKING GROUP

Background

On March 7, 2002, Senate President Dave Kerr announced the formation of a nine-member bipartisan "budget balancing team" and charged it with developing a strategy to address budget shortfall issues and recommend solutions for consideration by standing committees of the Senate. The Budget Solutions Working Group met for three weeks and concluded its work on March 29, 2002.

It is important to note that no votes were taken on any proposal and that the goal of the Working Group was to generate material that would form the basis for subsequent discussion by the Senate Ways and Means and Senate Assessment and Taxation Committees. These proposals were not agreed to, in part or in total, by all members of the Working Group, but they are offered as a starting place for further consideration.

To eliminate the estimated budget shortfall of \$700.0 million, the Working Group's proposal would reduce demands on the State General Fund by a total of \$395.4 million, and provide for increased revenue of approximately \$291.4 million. In addition, the proposal would include \$50.0 million in enhanced revenue to the State Highway Fund.

Activities of the Working Group

The basis for the Working Group's expenditure priorities was the Governor's revised recommendation for FY 2002. In addition, the Group reviewed funding commitments made by the Legislature, such as enhanced funding for higher education, which were not included in the Governor's budget recommendations for FY 2003. The Working Group also reviewed elements of the Governor's FY 2003 "green book" budget, the enhanced budget proposed by the Governor in his State of the State address, and the March revisions suggested by the Governor.

Agency Presentations

A major portion of the Working Group's time was devoted to meeting with heads of major state agencies to address spending priorities and possible areas of reductions in spending. Representatives of the following agencies met with the Working Group and discussed their budgets: Department of Social and Rehabilitation Services; Department on Aging; State Department of Education; State Board of Regents; and the Kansas Department of Transportation.

Proposals to the Working Group

The Group also received the following proposals:

- Senator Robert Tyson presented a plan to the Working Group which would provide approximately \$698 million in State General Fund savings with no tax increases. Among

*Senate Assessment & Taxation
4-3-02
Attachment 1*

the items in the proposal: a \$93.9 million reduction in state funding for supplemental general state aid (local option budgets) to be earmarked to restore the reduction in Base State Aid Per Pupil (BSAPP) in the Governor's recommendation; \$104.1 million from shifting available balances in the Kansas Endowment for Youth (KEY) Fund (tobacco) revenues (\$21.1 million); and Intergovernmental Transfer Program funds (\$83.0 million) to the State General Fund; \$35.0 million from furloughing all state employees for a period of ten days; and \$194.5 million by reducing the required State General Fund ending balance from 7.5 to 3.0 percent.

- Co-Chairs David Corbin and Steve Morris presented another plan to the Committee that would generate State General Fund savings of approximately \$425.9 million along with spending priorities that would require an additional \$274.1 million in new revenues. Among the items in the proposal: utilizing \$90 million in KEY fund and Intergovernmental Transfer Program funds, reducing the State General Fund ending balance from 7.5 percent to 5.0 percent (\$100.0 million); restoring approximately \$70 million of the State General Fund revenue transfer to the State Highway Fund and extending the Comprehensive Transportation Program by two years; and restoring approximately half of the \$27 million in base reductions in the budgets of the Board of Regents and the Regents Institutions.
- Senator Pete Brungardt, a member of the Working Group, also suggested a shift of expenditures for "student activities" in school districts to the school districts at a potential savings of \$80 million.
- The Working Group also reviewed the measures adopted by the House Appropriations Committee in addressing the budget shortfall.

Expenditure Proposals for Consideration

The Group submits the following proposals for consideration by the Senate Ways and Means Committee. Under the Working Group's proposal, the baseline FY 2003 State General Fund amount for each agency is the revised FY 2002 Governor's recommendation. Using these amounts as a starting point, the Group made adjustments to selected state agencies and several "global adjustments" affecting all agencies. The adjustments provide for FY 2003 expenditures of \$4.301 billion, a reduction of \$233.6 million (5.2 percent) from the revised FY 2002 expenditure recommendation. Attachment 1 provides a listing of expenditure adjustments made by the Working Group. Attachment 2 reflects those adjustments as they apply to each state agency.

	FY 2002 Revised/FY 2003 Base Budget	Revised FY 2003 Recommendation	Dollar Change From FY 2002	Percent Change From FY 2002
General Government	\$ 193.0	\$ 187.5	\$ (5.5)	(2.8)%
Human Resources	826.5	762.0	(64.5)	(7.8)%
Education	3,067.9	3,010.4	(57.5)	(1.9)%
Public Safety	318.8	322.0	3.2	1.0%
Agriculture/Natural Resources	33.6	20.4	(13.2)	(39.4)%
Transportation	94.6	0.0	(94.6)	(100.0)%
Other Adjustments	0.0	(1.4)	(1.4)	--
TOTAL	\$ 4,534.4	\$ 4,300.9	\$ (233.6)	(5.2)%

The material below highlights major proposals for selected state agencies.

Department of Education

- General and supplemental general state aid are funded at the statutory level for FY 2003 (Base State Aid Per Pupil at \$3,870).
- Special education is funded at the 85 percent level.

Board of Regents and Regents Institutions

- One-half of the FY 2003 base reduction recommended by the Governor for all postsecondary institutions is restored under the Working Group's proposal.
- No increase over FY 2002 is provided for the provisions of SB 345.

Department of Social and Rehabilitation Services

- March 2002 SRS Consensus caseloads are fully funded for both fiscal years.
- \$69.0 million in Intergovernmental Transfer Program funds are utilized to offset State General Fund expenditures in FY 2003.

- \$7.2 million in reduced Children's Initiatives Fund spending is utilized to offset State General Fund expenditures in FY 2003, keeping expenditures from the Children's Initiatives Fund the same as FY 2002.

Department on Aging

- March 2002 Aging Consensus caseloads are fully funded for both fiscal years.

Department of Transportation

- The Working Group proposal includes a transfer of \$70.0 million from the State General Fund to the State Highway Fund, and extends the Comprehensive Transportation Program by two years.

All Other

Major items in the "all other" category include:

- Juvenile Justice Authority - delay opening of Larned Juvenile Correctional Facility by four months (\$1.1 million).
- Department of Administration - offset State General Fund expenditures with nonreportable funding sources (\$0.2 million); capture savings from merger of Divisions of Architectural Services and Facilities Management (\$0.2 million); delete funding for gubernatorial transition expenditures (\$0.2 million - to be funded with savings in Governor's office budget).
- Department of Wildlife and Parks - reduce capital outlay expenditures in Administration Division (\$0.2 million).
- State Board of Tax Appeals - reduce Board by two members (\$0.1 million).
- All Agencies - impose a one-year moratorium on all office furniture and equipment purchases (\$6.0 million).
- All Agencies - impose a one-year moratorium on vehicle purchases (\$5.0 million).
- All Agencies - reduce all purchasing contracts for general supplies by 10 percent (\$2.5 million).
- All Agencies (except Regents) - include funding to annualize the FY 2002 pay increases for state employees (\$9.0 million).
- All Agencies (except Regents) - include funding for increased health insurance costs (\$12.4 million).

- All Agencies - impose a six-month moratorium on employer contributions for the KPERS Death and Disability Fund (\$8.3 million).

Revenue Enhancement Proposals for Consideration

The Group submits the following proposal for consideration by the Senate Assessment and Taxation Committee. The proposal includes approximately \$291.4 million in enhanced revenues to the State General Fund in FY 2003. Attachment 3 reflects the revenue enhancement proposal of the Working Group. Included in the proposal are the following elements:

- An increase in the state Sales and Use Tax to 5.5 percent effective June 1, 2002. Groceries would become exempt from the tax effective June 1, 2004. The increase is estimated to generate additional revenue of \$225.7 million in FY 2003.
- An increase in the Food Sales Tax Refund program to \$70 per person in households with incomes of \$35,000 or less. The proposal would reduce revenues by \$4.3 million.
- An increase in the tax on tobacco products to 12 percent effective June 1, 2002 (estimated to generate additional revenues of \$0.8 million).
- An increase in the cigarette tax (to \$0.50 per pack), estimated to generate additional revenue of \$49.2 million.
- Reimposition of the Class C inheritance tax, estimated to generate \$20.0 million in FY 2003.

To augment reductions in funding for the Comprehensive Transportation Program, the Group also proposes revenue enhancements to the State Highway Fund totaling \$50.0 million in FY 2003. These include acceleration of the motor fuels tax from FY 2004 to FY 2003 (\$17.8 million); a \$0.02 cent increase in the motor fuels tax (excluding diesel), anticipated to generate \$28.2 million; and a 3.0 percent increase in motor vehicle registration for all vehicles (\$4.0 million).

**Attachment 1
AMENDED PROPOSAL
FY 2003 BUDGET ADJUSTMENTS
(in millions)**

Item	Amount
Needed Adjustment from Revised FY 2002 Budget - \$700 million	
Reductions	
1 Reduce SRS operating expenditures (Governor's recommendation, reduce time limit for MediKan)	\$ 23.6
2 Offset State General Fund expenditures with additional Intergovernmental Transfer funds as identified in the Governor's budget recommendation	19.0
3 Reduce Board of Regents at one-half of the Governor's recommended reduction	13.0
4 Reduce operating expenditures in the Dept. on Aging (implement use of nursing home upper payment limits - \$8.3 million; administrative reductions in Governor's recommendation - \$5.1 million)	13.4
5 Reduce operating expenditures for all agencies (except Education, Regents, SRS, Corrections, Aging, Judicial Branch, KDOT) as identified in the Governor's recommendation	12.0
6 Freeze Children's Initiatives Fund expenditures at the FY 2002 levels	6.4
7 Impose one-year moratorium on all office furniture/equipment purchases	6.0
8 Extend moratorium on employer contributions for KPERs Death and Disability Fund	8.3
9 Impose one-year moratorium on vehicle purchases	5.0
10 Reduce all purchasing contracts for general supplies by 10 percent	2.5
11 Department of Administration (Accounting Services Recovery Fund offset to SGF - \$100,000; Merger of Architectural Services - \$200,000; Offset Building and Ground Fund - \$100,000; Fund Gubernatorial transition from agency savings - \$150,000)	0.5
12 Remove 2 members of the Board of Tax Appeals	0.1
13 Close Governor's Wichita office	0.04
14 Department of Social and Rehabilitation Services (Reduce ITS contracts - \$725,438; Reduce pharmacy reimbursement to AWP-14% on name brands and AWP-24% on generics - \$2,694,858; Nurse case management for disease management - \$1,671,600)	5.1
15 Department of Corrections (Cap local jail costs at \$53 per day - \$216,000; Extend food service contract - \$375,000)	0.6
16 Juvenile Justice Authority - Delay opening of Larned JCF by four months	1.1
17 Department of Wildlife and Parks - Reduce capital outlay in Administration	0.2

18 Further reduce Children's Initiatives Fund (Children's Cabinet Accountability Fund - \$300,000; Parent Education - \$500,000)	0.8
19 Mandate that all agency annual reports be printed in black and white rather than color	<u>1.0</u>
Subtotal - Reductions	\$ 118.6

Transfers

20 Transfer from ending balances of KDHE fee funds to SGF	\$ 3.6
21 Transfer from ending balances of Department of Administration funds	0.4
22 Capture 6-month D&D Moratorium from special revenue funds	1.1
23 Increase Lottery transfer to SGF by 1.0 percent	1.9
24 Insurance Department - Transfer annual Workers Compensation assessment to SGF	3.0
25 Department of Human Resources - Reduce Penalty and Interest Fund Balance	0.2
26 Remove excess Kan-ED planning funds	0.3
27 Ending balance of Kansas Endowment for Youth (KEY) Fund	21.0
28 Ending balance of Intergovernmental Transfer	<u>50.0</u>
Subtotal - Transfers	\$ 81.5

Other Items

29 Do not fully fund Comprehensive Highway Plan	\$ 46.0
30 Extend Comprehensive Highway Plan by two years	25.0
31 Do not fully fund SB345	45.0
32 Department of Health and Environment - Convert funding for positions to fee funds	0.06
33 Department of Revenue ATS Fund - Capture unencumbered balance; Release FY 2000 encumbrances	0.6
34 Add funding for increased employee health care costs	(12.4)
35 Add funding to annualize employee salary increases	(9.0)
36 Reduce ending balance requirement to 5 percent	<u>100.0</u>
Subtotal - Other Items	\$ 195.3

Total Reductions/Transfers/Other Items \$ 395.4

Needed Revenue Enhancements **\$ 304.6**

8-1

**Attachment 2
STATE GENERAL FUND EXPENDITURES
(In Millions)**

	Gov. Rec. FY 2002*	Base Budget FY 2003*	Total Adjustments	Revised FY 2003	Change FY 2002 - FY 2003	
					Dollar	Percent
Legislative Coordinating Council	\$ 1.0	\$ 1.0	\$ (0.3)	\$ 0.7	\$ (0.3)	(30.0) %
Legislative Research Department	2.5	2.5	(0.1)	2.4	(0.1)	(4.0)
Revisor of Statutes	2.5	2.5	(0.1)	2.4	(0.1)	(4.0)
Legislature	13.1	13.1	(0.2)	12.9	(0.2)	(1.5)
Division of Post Audit	1.9	1.9	(0.1)	1.8	(0.1)	(5.3)
Governor's Department	2.2	2.2	(0.4)	1.8	(0.4)	(18.2)
Lieutenant Governor	0.1	0.1	-	0.1	-	-
Attorney General	6.5	6.5	(1.8)	4.7	(1.8)	(27.7)
Secretary of State	1.8	1.8	-	1.8	-	-
State Treasurer	1.5	1.5	-	1.5	-	-
Insurance Department	-	-	-	-	-	-
Health Care Stabilization Fund	-	-	-	-	-	-
Judicial Council	0.2	0.2	-	0.2	-	-
State Board of Indigents' Defense Services	14.8	14.8	(0.3)	14.5	(0.3)	(2.0)
Judicial Branch	78.9	78.9	-	78.9	-	-
KPERS	0.03	0.03	-	0.0	-	-
Governmental Ethics Commission	0.4	0.4	0.1	0.5	0.1	25.0
Kansas Human Rights Commission	1.5	1.5	(0.1)	1.4	(0.1)	(6.0)
State Corporation Commission	-	-	-	-	-	-
Citizens' Utility Ratepayer Board	-	-	-	-	-	-
Department of Administration	26.6	26.6	(1.4)	25.2	(1.4)	(5.3)
State Board of Tax Appeals	2.2	2.2	(0.2)	2.0	(0.2)	(9.1)
Department of Revenue	35.1	35.1	(0.6)	34.5	(0.6)	(1.7)
Kansas Lottery	-	-	-	-	-	-
Kansas Racing and Gaming Commission	-	-	-	-	-	-
Department of Commerce and Housing	0.2	0.2	-	0.2	-	-
Kansas, Inc.	-	-	-	-	-	-
Kansas Technology Enterprise Corporation	-	-	-	-	-	-
Abstracters Board of Examiners	-	-	-	-	-	-
Board of Accountancy	-	-	-	-	-	-
State Bank Commissioner	-	-	-	-	-	-

1-9

	Gov. Rec. FY 2002*	Base Budget FY 2003*	Total Adjustments	Revised FY 2003	Change FY 2002 - FY 2003	
					Dollar	Percent
Board of Barbering	-	-	-	-	-	-
Behavioral Sciences Regulatory Board	-	-	-	-	-	-
State Board of Healing Arts	-	-	-	-	-	-
Board of Cosmetology	-	-	-	-	-	-
Department of Credit Unions	-	-	-	-	-	-
Kansas Dental Board	-	-	-	-	-	-
Board of Mortuary Arts	-	-	-	-	-	-
Hearing Aid Board of Examiners	-	-	-	-	-	-
Board of Nursing	-	-	-	-	-	-
Board of Examiners in Optometry	-	-	-	-	-	-
Board of Pharmacy	-	-	-	-	-	-
Real Estate Appraisal Board	-	-	-	-	-	-
Real Estate Commission	-	-	-	-	-	-
Office of the Securities Commissioner	-	-	-	-	-	-
Board of Technical Professions	-	-	-	-	-	-
Board of Veterinary Medical Examiners	-	-	-	-	-	-
Subtotal - General Government	193.0	193.0	(5.5)	187.5	(5.5)	(2.8)
Homestead Property Tax Refunds	-	-	-	-	-	-
Department of Human Resources	2.9	2.9	(0.9)	2.0	(0.9)	(31.0)
Kansas Commission on Veterans Affairs	3.8	3.8	0.8	4.6	0.8	21.1
Dept. of Health & Environment-Health	22.5	22.5	(0.4)	22.1	(0.4)	(1.8)
Department on Aging	141.5	141.5	(5.4)	136.1	(5.4)	(3.8)
Consensus Caseloads	120.8	120.8	8.0	128.8	8.0	6.6
All Other	20.7	20.7	(13.4)	7.3	(13.4)	(64.7)
Department of Social & Rehabilitation Services	623.4	623.4	(60.4)	563.0	(60.4)	(9.7)
Consensus Caseloads	371.3	371.3	43.7	415.0	43.7	11.8
All Other	252.1	252.1	(104.1)	148.0	(104.1)	(41.3)
Kansas Neurological Institute	9.3	9.3	0.5	9.8	0.5	5.4
Larned State Hospital	9.8	9.8	0.4	10.2	0.4	4.1
Osawatomie State Hospital	5.6	5.6	0.4	6.0	0.4	7.1
Parsons State Hospital & Training Center	6.2	6.2	0.2	6.4	0.2	3.2
Rainbow Mental Health Facility	0.4	0.4	0.3	0.7	0.3	75.0
Kansas Guardianship Program	1.1	1.1	(0.0)	1.1	(0.0)	(2.7)
Subtotal - Human Resources	826.5	826.5	(64.5)	762.0	(64.5)	(7.8)

1-10

	Gov. Rec. FY 2002*	Base Budget FY 2003*	Total Adjustments	Revised FY 2003	Change FY 2002 - FY 2003	
					Dollar	Percent
Department of Education	2,336.0	2,336.0	(43.9)	2,292.1	(43.9)	(1.9)
General and Supplemental General State Aid	1,930.0	1,930.0	(10.0)	1,920.0	(10.0)	(0.5)
Special Education	242.3	242.3	11.2	253.5	11.2	4.6
Other	163.7	163.7	(45.1)	118.6	(45.1)	(27.6)
State Library	5.4	5.4	(0.2)	5.2	(0.2)	(3.7)
Arts Commission	1.7	1.7	(0.1)	1.6	(0.1)	(3.5)
School for the Blind	4.5	4.5	(0.1)	4.4	(0.1)	(2.0)
School for the Deaf	7.3	7.3	(0.1)	7.2	(0.1)	(1.2)
Historical Society	6.0	6.0	0.2	6.2	0.2	3.3
Fort Hays State University	32.0	32.0	(0.6)	31.4	(0.6)	(1.9)
Kansas State University	107.3	107.3	(2.2)	105.1	(2.2)	(2.1)
KSU-Ext. Sys. And Ag. Res. Programs	49.3	49.3	(1.0)	48.3	(1.0)	(2.0)
KSU-Veterinary Medical Center	10.1	10.1	(0.2)	9.9	(0.2)	(2.0)
Emporia State University	30.6	30.6	(0.6)	30.0	(0.6)	(2.0)
Pittsburg State University	33.5	33.5	(0.7)	32.8	(0.7)	(2.1)
University of Kansas	138.7	138.7	(2.7)	136.0	(2.7)	(1.9)
University of Kansas Medical Center	104.3	104.3	(1.9)	102.4	(1.9)	(1.8)
Wichita State University	65.9	65.9	(1.3)	64.6	(1.3)	(2.0)
Board of Regents	135.3	135.3	(2.2)	133.1	(2.2)	(1.6)
<i>Subtotal-Regents</i>	<i>707.0</i>	<i>707.0</i>	<i>(13.4)</i>	<i>693.6</i>	<i>(13.4)</i>	<i>(1.9)</i>
Subtotal - Education	3,067.9	3,067.9	(57.5)	3,010.4	(57.5)	(1.9)
Department of Corrections	83.9	83.9	(0.6)	83.3	(0.6)	(0.7)
Topeka Correctional Facility	10.6	10.6	-	10.6	-	-
Hutchinson Correctional Facility	23.8	23.8	-	23.8	-	-
Lansing Correctional Facility	32.4	32.4	-	32.4	-	-
Ellsworth Correctional Facility	9.3	9.3	-	9.3	-	-
Winfield Correctional Facility	9.7	9.7	-	9.7	-	-
Norton Correctional Facility	11.9	11.9	-	11.9	-	-
El Dorado Correctional Facility	20.4	20.4	-	20.4	-	-
Larned Correctional MH Facility	7.7	7.7	-	7.7	-	-
<i>Subtotal-Corrections</i>	<i>209.7</i>	<i>209.7</i>	<i>(0.6)</i>	<i>209.1</i>	<i>(0.6)</i>	<i>(0.3)</i>
Juvenile Justice Authority	34.8	34.8	(2.9)	31.9	(2.9)	(8.3)
Topeka Juvenile Correctional Facility	12.0	12.0	0.5	12.5	0.5	4.2

1-11

	Gov. Rec. FY 2002*	Base Budget FY 2003*	Total Adjustments	Revised FY 2003	Change FY 2002 - FY 2003	
					Dollar	Percent
Atchison Juvenile Correctional Facility	6.3	6.3	-	6.3	-	-
Beloit Juvenile Correctional Facility	5.1	5.1	0.1	5.2	0.1	2.0
Larned Juvenile Correctional Facility	4.7	4.7	0.7	5.4	0.7	14.9
Subtotal-Juvenile Justice	62.9	62.9	(1.6)	61.3	(1.6)	(2.5)
Adjutant General	5.3	5.3	5.5	10.8	5.5	103.8
State Fire Marshal	-	-	-	-	-	-
Kansas Parole Board	0.5	0.5	-	0.5	-	-
Kansas Highway Patrol	26.0	26.0	-	26.0	-	-
Kansas Bureau of Investigation	12.8	12.8	(0.1)	12.7	(0.1)	(0.6)
Emergency Medical Services Board	0.9	0.9	-	0.9	-	-
Kansas Sentencing Commission	0.5	0.5	-	0.5	-	-
Ombudsman of Corrections	0.2	0.2	-	0.2	-	-
Subtotal - Public Safety	318.8	318.8	3.2	322.0	3.2	1.0
Department of Agriculture	10.1	10.1	(0.3)	9.8	(0.3)	(3.0)
Animal Health Department	0.6	0.6	(0.0)	0.6	(0.0)	(1.7)
State Fair Board	0.1	0.1	0.2	0.3	0.2	200.0
Department of Health and Environment-Environ.	10.1	10.1	(0.5)	9.6	(0.5)	(5.0)
State Conservation Commission	6.6	6.6	(6.0)	0.6	(6.0)	(90.9)
Kansas Water Office	1.4	1.4	(6.0)	(4.6)	(6.0)	(430.7)
Department of Wildlife and Parks	4.7	4.7	(0.6)	4.1	(0.6)	(12.8)
Subtotal - Agriculture and Natural Resources	33.6	33.6	(13.2)	20.4	(13.2)	(39.4)
Kansas Department of Transportation**	94.6	94.6	-	-	(94.6)	(100.0)
Subtotal - Transportation	94.6	94.6	-	-	(94.6)	(100.0)
Global Items						
One-year moratorium on office furniture and equipment purchases	-	-	(6.0)	(6.0)	(6.0)	-
One-year moratorium on vehicle purchases	-	-	(5.0)	(5.0)	(5.0)	-
Reduce purchasing contracts for general supplies by 10 percent	-	-	(2.5)	(2.5)	(2.5)	-

1-12

	Gov. Rec.	Base Budget	Total	Revised	Change FY 2002 - FY 2003	
	FY 2002*	FY 2003*	Adjustments	FY 2003	Dollar	Percent
Mandate agency annual reports be printed in black and white	-	-	(1.0)	(1.0)	(1.0)	-
Add funding for increased health insurance costs	-	-	12.4	12.4	12.4	-
Add funding for annualization of employee salary increases	-	-	9.0	9.0	9.0	-
Delete funding for a six-month moratorium on employer contributions for the KPERS Death and Disability Fund	-	-	(8.3)	(8.3)	(8.3)	-
TOTAL	\$ 4,534.4	\$ 4,534.4	\$ (139.0)	\$ 4,300.9	\$ (233.6)	(5.2) %

*Reflects the FY 2002 Governor's revised "green book" budget, with adjustments for SRS caseloads, revised school finance estimates, and FY 2002 disaster relief funding.

**The Working Group's proposal includes a State General Fund revenue transfer of \$70.0 million to the State Highway Fund in FY 2003.

**Attachment 3
REVENUE PROPOSAL**

1-13

**State General Fund
(in millions)**

Fiscal Year	Sales Tax(1)	Use Tax(1)	Food Sales Tax Refund(2)	Tobacco Products Tax(3)	Cigarette Tax(4)	Class C Inheritance Tax	Total
FY 2003	\$ 191.0	\$ 34.7	\$ (4.3)	\$ 0.8	\$ 49.2	\$ 20.0	\$ 291.4
FY 2004	197.2	36.4	(4.3)	0.9	50.7	20.6	301.5
FY 2005	(80.8)	38.2	25.0	1.0	50.7	21.2	55.3
FY 2006	(83.8)	40.1	25.0	1.0	50.7	21.9	54.9
FY 2007	(86.9)	42.2	25.0	1.1	50.7	22.5	54.6
Five-year Total	\$ 136.7	\$ 191.6	\$ 66.4	\$ 4.8	\$ 252.0	\$ 106.2	\$ 757.7

- 1) Sales and Use Tax Rate increases to 5.5% as of June 1, 2002; Groceries exempt as of June 1, 2004
- 2) Raises Food Sales Tax Refund to \$70 per person in households with income \$35,000 or less. Current refund is \$60 per person in household with income of \$25,000 or less.
- 3) Tax on tobacco products increases to 12% on June 1, 2002.
- 4) Tax on cigarettes increases to 50 cents per pack on June 1, 2002

**State Highway Fund
(in millions)**

Fiscal Year	Motor Fuels Accelerator(1)	Motor Fuels Tax(2)	Motor Vehicle Registration(3)	Total
FY 2003	\$ 17.8	\$ 28.2	\$ 4.0	\$ 50.0
FY 2004	-	28.4	4.1	32.5
FY 2005	-	28.6	4.1	32.7
FY 2006	-	28.9	4.2	33.1
FY 2007	-	29.1	4.2	33.3
Five-year Total	\$ 17.8	\$ 143.2	\$ 20.6	\$ 181.6

- 1) Moves payment from FY 2004 to FY 2003
- 2) Two cent increase (excludes diesel)
- 3) 3.0 percent increase on all vehicles

Governor's New Tax Recommendations

	Sales/Use to 5.2% 6/1/02 to 4.9% 6/1/04	Cigs to 89 c/pack on 6/1/02	Corp Franch Tax Doubled tax year 02	5 pct Individual Income Tax "Surcharge" TY 02 - 05	Class C Inh Tax reimposition retroactive to 3/1/02	Food Sales Tax Rebates inc to \$66 & \$33 for tax year 2002	Expand EITC to 11 pct of federal effective tax year 2002	Subtotal These Provisions	M Fuels 1 Cent Incr on 6/1/02	M Veh Reg incr 3% on 6/1/02	Total Tax Recs	Eliminate SHF Dem Transfer (Based on Assumption That Current Law is 20m Too High)	Total These Provisions
FY 2003	\$114.736	\$111.198	\$18.000	\$104.700	\$20.000	(\$2.500)	(\$2.100)	\$364.034	\$17.825	\$3.990	\$385.849	\$146.650	\$532.499
FY 2004	\$118.774	\$120.400	\$18.540	\$86.100	\$20.600	(\$2.500)	(\$2.163)	\$359.751	\$17.994	\$4.050	\$381.795	---	\$381.795
FY 2005	\$112.939	\$120.400	\$19.096	\$62.900	\$21.218	(\$2.500)	(\$2.228)	\$331.826	\$18.164	\$4.110	\$354.100	---	\$354.100
FY 2006	---	\$120.400	\$19.669	---	\$21.855	(\$2.500)	(\$2.295)	\$157.129	\$18.334	\$4.170	\$179.633	---	\$179.633
FY 2007	---	\$120.400	\$20.259	---	\$22.510	(\$2.500)	(\$2.364)	\$158.306	\$18.503	\$4.230	\$181.039	---	\$181.039
5-Yr Total	\$346.448	\$592.798	\$95.564	\$253.700	\$106.183	(\$12.500)	(\$11.149)	\$1,371.044	\$90.820	\$20.550	\$1,482.414	\$146.650	\$1,629.064

Senate Assessment & Taxation
 4-3-02
 Attachment 2

4B 3026 - (Substance of House Select Committee Recommendations)

(\$ in millions)

	June 1, 02 sales/use tax incr of 0.25% (to 5.15%) earmarked for SHF	2 cent m fuels tax increase effective June 1, 02	Roughly 3% M Veh Reg Fee increases July 1, 02	New Transfer of 14% of "5511" New and Used Car Sales Tax Transfer	New Cons Estimate: Eliminate Current Transfer plus an extra \$20m	Net Change in SHF Resources This Plan	Net Impact on SGF Equivalent to Net Change in Transfers
FY 2003	\$95.613	\$35.650	\$3.990	---	(\$146.650)	(\$11.397)	\$146.650
FY 2004	\$98.978	\$35.988	\$4.050	\$22.796	(\$155.690)	\$6.122	\$132.894
FY 2005	\$102.672	\$36.328	\$4.110	\$23.594	(\$172.870)	(\$6.166)	\$149.276
FY 2006	\$106.726	\$36.668	\$4.170	\$24.479	(\$179.631)	(\$7.588)	\$155.152
FY 2007	\$110.941	\$37.006	\$4.230	\$25.397	(\$186.177)	(\$8.603)	\$160.780
FY 2008	\$115.322	\$37.348	\$4.290	\$26.349	(\$193.599)	(\$10.290)	\$167.250
FY 2009	\$119.876	\$37.688	\$4.350	\$27.337	(\$201.609)	(\$12.358)	\$174.272
thru 2009	\$750.128	\$256.676	\$29.190	\$149.951	(\$1,236.226)	(\$50.281)	\$1,086.275

*Senate Assessment & Taxation
A-3-02
Attachment 3*

Senator Donovan

	Sales and Use Tax Rate to 5.5% on June 1, 02; Groceries Exempt on 6/1/04		Changes to FS Rebate Credit: Expand to \$35 & \$70 for TY 02 and 03 Repeal 04		June 1, 02 to 12% Tob Products	June 1, 02 to 50 cents Cigs 26 c incr	Motor Fuels Accelerator from 7/1/03 to 6/1/02	Two Cent Additional Motor Fuels Increase but NOT Diesel 6/1/02	M Veh Reg Fee Increase 7/1/02 same as Gov's orig proposal	Tax Provisions <u>Total F Note</u>	Other FY 03 Items from Yellow Sheet KEY Fund (21 m); IG Transfer (50 m); Ending Bal to 5.0 (100 m)	Grand Total
	Sales	Use	Sales and Use Net									
FY 2003	\$190,970	\$34,677	\$225,646	(\$4,300)	\$839	\$49,200	\$17,825	\$28,156	\$3,990	\$321,356	\$171,000	\$492,356
FY 2004	\$197,176	\$36,411	\$233,587	(\$4,300)	\$902	\$50,700	---	\$28,396	\$4,050	\$313,335	?-?	\$313,335
FY 2005	(\$80,766)	\$38,231	(\$42,535)	\$25,000	\$970	\$50,700	---	\$28,636	\$4,110	\$66,881	?-?	\$66,881
FY 2006	(\$83,795)	\$40,143	(\$43,652)	\$25,000	\$1,043	\$50,700	---	\$28,876	\$4,170	\$66,137	?-?	\$66,137
FY 2007	(\$86,937)	\$42,150	(\$44,787)	\$25,000	\$1,121	\$50,700	---	\$29,116	\$4,230	\$65,380	?-?	\$65,380
5-Yr Total	\$136,647	\$191,611	\$328,259	\$66,400	\$4,875	\$252,000	\$17,825	\$143,180	\$20,550	\$833,089	\$171,000	\$1,004,089

Senate Assessment & Taxation
 4-3-02
 Attachment 4