

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on March 23, 2004 in Room 514-S of the Capitol.

All members were present except:

Representative Clark Shultz- excused

Committee staff present:

Alan Conroy, Legislative Research  
J. G. Scott, Legislative Research  
Amy VanHouse, Legislative Research  
Michele Alishahi, Legislative Research  
Melissa Calderwood, Legislative Research  
Jim Wilson, Revisor of Statutes  
Mike Corrigan, Revisor of Statutes  
Nikki Feuerborn, Administrative Analyst  
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Peggy Hanna, State Treasurer's Office  
Jim Garner, Department of Human Resources (KDHE)

Others attending:

See Attached List.

- Attachment 1 Testimony on **SB 442** by Peggy Hanna, State Treasurer's Office
- Attachment 2 Testimony on **SB 442** by Jim Garner, Department of Human Resources

Chairman Neufeld moved to introduce legislation regarding the master settlement agreement on tobacco. The motion was seconded by Representative Schwartz. Motion carried.

**Hearing on SB 442 - Fees for services provided by the state treasurer's office.**

Melissa Calderwood, Legislative Research Department, explained that **SB 442** would make permanent the funding mechanism approved by the 2003 Legislature through proviso to supplant State General Fund moneys with fee funds in the State Treasurer's FY 2004 budget. The State Treasurer's office would be authorized to charge cash management fees, including the processing of non-payroll paper and electronic warrants, direct deposits, fees for banking services, and fees for voucher processing. The fees will be deposited in a new fund created by the bill, the Treasurer Services Reimbursement Fund. The bill makes provisions for the Department of Human Resources to make payment for these fees from federal Reed Act moneys.

The Chair recognized Peggy Hanna, State Treasurer's office, who presented testimony in support of **SB 442** (Attachment 1).

Responding to questions from the Committee regarding banking fees, Ms. Hanna indicated that the contract for banking fees was rebid in 2002 and UMBank was the successful bidder; however, the fees are higher than in the past. Ms. Hanna stated that the SOKI system was put in place to eliminate the paper process to effectively process interfund vouchers and journal vouchers between agencies.

Chairman Neufeld recognized Jim Garner, Department of Human Resources, who presented testimony in opposition to **SB 442** (Attachment 2).

The Committee voiced concern with the authorization of this legislation enabling the State Treasurer to charge for issuing unemployment checks and these fees being taken from the Unemployment Insurance Trust Fund. Responding to a question from the Committee with regard to the ability to increase fees, Melissa Calderwood, Legislative Research Department, stated that the legislation puts the funding authority in place for the State

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on March 23, 2004 in Room 514-S of the Capitol.

Treasurer to recover costs. Jim Wilson, Revisor of Statutes, noted there are no rules and regulation authority granted in the bill; however, the bill delegates the authority to the State Treasurer to set the fee each year based on cost.

Chairman Neufeld closed the hearing on **SB 442**.

Representative Pottorff moved to recommend **SB 442** favorable for passage. The motion was seconded by Representative Howell. Division was requested. Motion failed.

**Discussion and Action on SB 552 - Increase percentage of fines, penalties and forfeitures credited to the crime victims compensation fund and the crime victims assistance fund.**

The Committee noted that **SB 552** is an identical bill to **HB 2927** on which the Committee heard testimony on March 18, 2004.

Representative Shriver moved to recommend **SB 552** favorable for passage. The motion was seconded by Representative Howell. Motion carried.

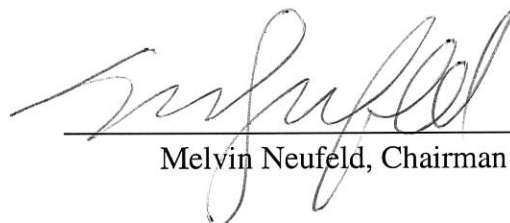
**Discussion and Action on SB 557 - Authorizing transfers between certain funds of the attorney general.**

The Committee noted that **SB 557** is an identical bill to **HB 2926** on which the Committee heard testimony on March 18, 2004.

Representative Shriver moved to recommend **SB 557** favorable for passage. The motion was seconded by Representative Howell. Motion carried.

Representative Feuerborn moved to introduce legislation regarding technical schools and repeal of **SB 7**. The motion was seconded by Representative Ballard. Motion carried.

The meeting was adjourned at 9:30 a.m. The next meeting will be held at 9:00 a.m. on March 24, 2004.

  
Melvin Neufeld, Chairman





STATE OF KANSAS

## Lynn Jenkins, CPA

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March 23, 2004 -

Testimony on Senate Bill 442

Representative Melvin Neufeld, Chairperson and Members  
House Appropriations Committee

My name is Peggy Hanna of the State Treasurer's Office. Thank you for the opportunity to discuss Senate Bill 442.

Last year after the Governor eliminated the state general fund as a funding source for the Treasurer's office budget, we worked with this committee to arrive at a compromise solution to our funding situation. The solution we have been using is to bill state agencies for cash management services provided by our office. Our agency spent over \$20,000 in staff time developing and implementing a tracking system to handle the billings to the agencies. Billing for fees started July 1, 2003. That process has worked smoothly and these same agencies have even budgeted for the fees in 2005.

The current mechanism has three components: (1) pass-through of the actual banking service fees from our contractor banks – estimated last year at \$340,000 but will actually be somewhat higher due to the new banking contract that began in September 2003; (2) \$180,000 in fees prorated by transaction lines in the SOKI system at a rate of \$15,000 per month; and (3) \$979,505 in issuance fees for non-payroll paper and electronic warrants – prorated at \$81,625 per month. By prorating the second and third fee types, we are allowed to collect the entire amount needed to fund the budget without worrying about the number of transactions the agencies process.

According to Federal government guidelines, state agencies with access to Federal program money have been able to draw down funds to pay for 100% of their costs for the first and second types of fees. They are able to draw down 50% of their costs for the third type of fees. By doing this, "new" money has been drawn into the state system to fund our agency.

The charges were authorized by the Legislature via a proviso last session. This bill merely codifies that fee structure.

**HOUSE APPROPRIATIONS**

DATE 3-23-2004  
ATTACHMENT 1



# KANSAS

DEPARTMENT OF HUMAN RESOURCES  
Jim Garner, Secretary

KATHLEEN SEBELIUS, Governor

**Testimony before the House Appropriations Committee  
Concerning S.B. 442  
by Secretary Jim Garner  
Kansas Department of Human Resources  
March 23, 2004**

Chairman Neufeld and Members of the Committee:

Thank you for the opportunity to appear today and share our opposition to Senate Bill 442. This bill will create a new law imposing fees on state agencies to fund the State Treasurer's office. Fees would be imposed on each voucher, warrant, or direct deposit issued by the agency.

This method of funding the State Treasurer's office is currently being used pursuant to a proviso in the FY 2004 budget. For the period July 1, 2003 to January 31, 2004, KDHR issued 1,031,248 unemployment insurance payments (paper warrants and electronic transfers) to unemployed individuals. We have paid out \$388,276 in fees to the State Treasurer's office. We anticipate spending over \$500,000 next year, if this source of funding continues. These are funds from the Unemployment Insurance Trust Fund, which represents the only sustainable funding source for the agency to pay this fee. These funds were never intended to fund the operations of the State Treasurer's office.

We strongly oppose this effort to codify it as a permanent funding mechanism. We would hope the State Treasurer would continue to explore other funding options. I understand this committee recently endorsed a bill that potentially could bring an additional \$10 million into the Unclaimed Property Fund. The interest earned off this money alone could help fund the operations of the State Treasurer's office, easing the burden being placed on other state agencies.

Again, thank you for the opportunity to appear and express our opposition to SB 442. I will be glad to stand for any questions you may have.