

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Stephen Morris at 10:35 a.m. on February 13, 2004, in Room 123-S of the Capitol.

All members were present except:

Senator Bill Bunten- excused
Senator Christine Downey - excused

Committee staff present:

J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Jill Wolters, Senior Assistant, Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Chris Clarke, Supervising Auditor, Division of Legislative Post Audit
Howard Fricke, Secretary, Kansas Department of Administration
Peggy Hanna, Deputy Assistant State Treasurer
Jim Garner, Secretary, Kansas Department of Human Resources

Others attending:

See Attached List.

Chairman Morris welcomed Chris Clarke, Supervising Auditor, Legislative Division of Post Audit, who presented a briefing on:

Kansas' Central Motor Pool:

Determining Whether All Significant Costs and Cost Savings Were Considered In Decisions To Change This Function.

Copies of this audit are on file with the Legislative Division of Post Audit. This 100-hour performance audit answers the following question:

1. Has the department of Administration considered all significant and relevant costs and cost savings in making its determination to change the Motor Pool functions?

Ms. Clark detailed information found in the audit itself. Committee discussion followed.

Chairman Morris welcomed Howard Fricke, Secretary, Kansas Department of Administration, who presented information regarding the audit (No written testimony was submitted). Secretary Fricke explained that their approach in looking at the whole motor pool and number of vehicles stems from the instructions he had been given by the Governor to try to find inefficiencies, eliminate redundancies and save money wherever possible. Secretary Fricke noted that the main purpose of all of this is to try to eliminate and reduce unnecessary waste and put accountability where it should be. Agencies are now going to have to go to the Governor, request monies in their budget for vehicles and then come before the Legislature and justify the merits whether or not those monies are necessary or not necessary.

Regarding the van pool program, Secretary Fricke explained that they looked into researching if the van pools were self-sufficient. Based on what they know today, there is shortfall between the revenue collected by the van pools and what it actually cost the State. He mentioned that there were two alternatives. One is to raise the fee to the van pool riders. The other, and his recommendation to the Governor, is that there are a lot of private businesses that are involved in providing transportation (van pool) to and from Topeka and the question is should the State compete with those private businesses or not. He has no strong feeling either way.

CONTINUATION SHEET

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE at 10:35 a.m. on February 13, 2004, in Room 123-S of the Capitol.

Secretary Fricke expressed concern about the fact that 30 or so people are riding in the state-owned vans to and from Topeka that are not state employees and he does not what kind of liability is being incurred by providing transportation to and from Topeka with someone that is unconnected or unrelated to the State.

Secretary Fricke asked the committee the question if the State should get back into the motor pool business or do you want them to sell the unnecessary, unused vehicles. Questions and discussion followed.

The Chairman opened the public hearing on:

SB 442--Fees for services provided by the state treasurer's office

Staff briefed the committee on the bill.

Chairman Morris welcomed Peggy Hanna, Deputy Assistant Treasurer, who testified in support of the bill (Attachment 1). Ms. Hanna explained that last year after the Governor eliminated the State General Fund as a funding source for the State Treasurer's office budget, they worked with the Senate Ways and Means Committee to arrive at a compromise solution to their funding situation. The solution they have been using is to bill state agencies for cash management services provided by the State Treasurer's office. This bill would make this fee structure permanent and effective in FY 2005. Ms. Hanna distributed copies of the State Treasurer billings for the first 6 months of FY 2004 (Attachment 2).

The Chairman welcomed Jim Garner, Secretary, Kansas Department of Human Resources, who testified in opposition to **SB 442** (Attachment 3). Secretary Garner explained that fees would be imposed on each voucher, warrant or direct deposit issued by the agency. He noted that fees KDHR has been paying to the State Treasurer for unemployment insurance payments are from the Unemployment Insurance Trust Fund and these funds were never intended to fund the operation of the State Treasurer's office.

There being no further conferees to come before the committee, the Chairman closed the public hearing on **SB 442**.

The meeting adjourned at 11:10 a.m. The next meeting is scheduled for February 16, 2004.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE February 13, 2004

NAME	REPRESENTING
Chris Clarke	Legislative Post Audit
Jill Shelley	"
Molly Coppe	"
Leo Nofre	"
Beth MARTINO	Dept. of Human Resources



STATE OF KANSAS

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February 13, 2004

Testimony on Senate Bill 442

Senator Steve Morris, Chairperson and Members
Senate Ways and Means 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.

These charges were authorized by the Legislature via a proviso last session. This bill would make the fee structure permanent effective in fiscal year 2005.

Senate Ways and Means
2-13-04
Attachment 1

Treasurer Billings first 6 months of FY 04

Funding for first 6 months' billings

Agcy #	Agency Name	6month total	Annualized amt	SGF	EDIF	Fee fund	Federal Fund	Loans & Grants	Intergovernmental Funds	Transportation Fund	Variance	Reason for Variance
16	Abstractors' Board of Examiners	7.39	14.78			7.39					-	
28	Board of Accountancy	174.13	348.26			174.13					-	
034	Adjutant General Dept	2,499.55	4,999.10	2,499.55							-	
039	Department on Aging	6,673.21	13,346.42	3,093.74		50.28	2,554.91	27.62			(946.66)	1 - Unpaid
046	Department of Agriculture	3,058.46	6,116.92	3,058.46							-	
055	Animal Health Department	829.43	1,658.86	697.20		132.23					-	
058	Human Rights Commission	115.59	231.18	115.59							-	
082	Attorney General	1,897.37	3,794.74	1,190.85		486.37	220.15				-	
083	KBI	2,048.98	4,097.96	2,048.98							-	
094	State Bank Commissioner	665.54	1,331.08			665.54					-	
100	Board of Barbering	123.79	247.58			123.79					-	
102	Behavioral Sciences Reg. Board	360.94	721.88			360.94					-	
105	Board of Healing Arts	845.70	1,691.40			845.70					-	
122	Citizens' Utility Ratepayer Bd	86.13	172.26			86.13					-	
143	Kansas Corporation Commission	2,059.43	4,118.86			2,059.43					-	
149	Board of Cosmetology	732.40	1,464.80			732.40					-	
159	Department of Credit Unions	80.78	161.56			80.78					-	
167	Dental Board	230.15	460.30			230.15					-	
172	Dept of Admin, Printing	941.18	1,882.36						941.18		-	
173	Department of Administration	16,598.87	33,197.74						16,598.87		-	
175	Housing Resources Corporation	1,600.05	3,200.10			403.83	1,196.22				-	
176	KS Development Finance Authority	57.13	114.26			57.13					-	
177	Ellsworth Correctional Facility	420.84	841.68	420.84							-	
195	ElDorado Correctional Facility	880.87	1,761.74	880.87							-	
204	State Board of Mortuary Arts	118.21	236.42			118.21					-	
206	Bd of Emergency Medical Services	310.63	621.26			310.63					-	
234	State Fire Marshall	390.51	781.02			390.51					-	
246	Ft. Hays State University	5,535.46	11,070.92			5,535.46					-	
247	Governmental Ethics Commission	85.38	170.76	85.38							-	
252	Governor's Office	606.68	1,213.36	303.35			303.33				-	
264	Health & Environment	17,353.61	34,707.22			17,353.61					-	
266	Bd of Hearing Aid Examiners	16.50	33.00			16.50					-	
270	Health Care Stabilization Fund	777.07	1,554.14					777.07			-	
276	KDOT	15,474.01	30,948.02							15,474.01	-	
280	Highway Patrol	3,204.61	6,409.22	767.17		2,437.44					-	
288	State Historical Society	1,150.37	2,300.74	1,150.37							-	
296	Department of Human Resources	293,617.58	587,235.16	845.38			292,772.20				-	
300	Department of Commerce	1,585.86	3,171.72		1,572.82	13.04					-	
313	Hutchinson Correctional Facility	1,150.33	2,300.66	1,150.33							-	
319	Topeka Juvenile Correctional Fac.	433.63	867.26	433.63							-	
325	Beloit Juvenile Correctional Fac.	265.57	531.14	265.57							-	
328	Board Of Indigents' Defense Svcs	1,947.41	3,894.82	1,947.41							-	
330	Information Network of Kansas	20.47	40.94		20.47						-	
331	Insurance Department	2,985.66	5,971.32		2,626.64				359.02		-	
349	Judicial Council	162.41	324.82		162.41						-	

Senate Ways and Means
2-13-04
Attachment 2

Treasurer Billings first 6 months of FY 04

Funding for first 6 months' billings

Agcy #	Agency Name	6month total	Annualized amt	SGF	EDIF	Fee fund	Federal Fund	Loans & Grants	Intergovernmental Funds	Transportation Fund	Variance	Reason for Variance
350	Juvenile Justice Authority	1,163.29	2,326.58	1,163.29							-	
355	Atchison Juvenile Correctional Fac.	255.35	510.70	255.35							-	
359	Arts Commission	278.07	556.14	278.07							-	
360	Kansas Inc.	58.87	117.74		58.87						-	
363	Kansas Neurological Institute	1,202.16	2,404.32	1,202.16							-	
365	KPERs	27,198.60	54,397.20						27,198.60		-	
367	Kansas State University	34,855.22	69,710.44	10,442.19		24,413.03					-	
371	KS Technology Enterprise Corp.	153.14	306.28		153.14						-	
373	Kansas State Fair	612.61	1,225.22			612.61					-	
379	Emporia State University	4,787.39	9,574.78	3,969.60		817.79					-	
385	Pittsburgh State University	5,201.02	10,402.04	5,201.02							-	
400	Lansing Correctional Facility	1,073.39	2,146.78	1,073.39							-	
408	Larned Correctional Mental Health Fa	341.71	683.42	341.71							-	
410	Larned State Hospital	3,024.99	6,049.98	3,024.99							-	
412	Larned Juvenile Correctional Fac.	328.37	656.74	328.37							-	
422	Legislative Coordinating Council	26.54	53.08	26.54							-	
425	Legislative Research Department	81.53	163.06	81.53							-	
428	Legislative Administrative Services	773.15	1,546.30	773.15							-	
434	Kansas State Library	302.37	604.74	211.23			91.14				-	
446	Lieutenant Governor	34.89	69.78	34.89							-	
450	Lottery	2,997.35	5,994.70			2,997.35					-	
482	Board of Nursing	975.66	1,951.32			975.66					-	
488	Bd of Examiners in Optometry	35.85	71.70			35.85					-	
494	Osawatomie State Hospital	997.61	1,995.22	673.26		324.35					-	
507	Parson State Hospital & Trng Ctr.	1,105.18	2,210.36			1,105.18					-	
521	Department of Corrections	1,281.45	2,562.90	1,281.45							-	
522	Kansas Correctional Industries	2,051.52	4,103.04						2,051.52		-	
523	Parole Board	29.77	59.54	29.77							-	
531	Board of Pharmacy	224.70	449.40			224.70					-	
540	Legislative Post Audit	70.44	140.88	70.44							-	
543	Real Estate Appraisal Board	160.40	320.80			160.40					-	
549	Real Estate Commission	812.02	1,624.04			812.02					-	
553	Racing & Gaming Commission	2,239.29	4,478.58			2,239.29					-	
555	Rainbow Mental Health Facility	370.90	741.80	370.90							-	
561	Board of Regents	1,325.73	2,651.46	1,325.73							-	
562	Board of Tax Appeals	113.59	227.18	92.90							(20.69)	3 - Unpaid
565	*Department of Revenue	97,866.66	195,733.32			97,866.66					-	
579	Revisor of Statutes	62.09	124.18	62.09							-	
581	Norton Correctional Facility	456.79	913.58	456.79							-	
604	State School for the Blind	299.39	598.78	299.39							-	
610	School for the Deaf	466.85	933.70	385.96							(80.89)	1 - Unpaid
622	Secretary of State	4,606.15	9,212.30			4,606.15					-	
625	Office of Securities Commissioner	450.68	901.36			450.68					-	
626	Sentencing Commission	150.09	300.18	113.51			36.58				-	
	SRS	101,064.00	202,128.00	67,965.78			33,098.22				-	

Treasurer Billings first 6 months of FY 04

Funding for first 6 months' billings

Agcy #	Agency Name	6month total	Annualized amt	SGF	EDIF	Fee fund	Federal Fund	Loans & Grants	Intergovernmental Funds	Transportation Fund	Variance	Reason for Variance
634	State Conservation Commission	1,149.44	2,298.88	36.77	906.28	206.39					-	
652	Department of Education	8,551.16	17,102.32	7,595.56		955.60					-	
660	Topeka Correctional Facility	537.55	1,075.10	537.55							-	
663	State Board of Technical Profs.	287.70	575.40			287.70					-	
671	Pooled Money Investment Board	16,009.25	32,018.50			16,009.25					-	
677	Judicial Branch	3,224.66	6,449.32	3,224.66							-	
670	State Treasurer	11,264.84	22,529.68			11,264.84					-	
682	University of Kansas	22,061.73	44,123.46			12,660.50					(9,401.23)	4 - Unpaid
683	University of Kansas Medical Ctr	12,036.79	24,073.58	12,036.79							-	
694	Commission on Veterans Affairs	1,354.53	2,709.06								(1,354.53)	10 -Unpaid
700	Board of Veterinary Examiners	108.64	217.28			108.64					-	
709	Water Office	266.99	533.98		266.99						-	
710	Wildlife & Parks	10,063.35	20,126.70	2,531.18		6,196.71					(1,335.46)	1 -Unpaid
712	Winfield Correctional Facility	549.94	1,099.88	549.94							-	
715	Wichita State University	5,718.33	11,436.66	4,811.53		906.80					-	
Total		779,613.26	1,559,226.52	149,002.57	5,767.62	218,002.97	330,272.75	804.69	47,149.19	15,474.01	(6,569.73)	
		Annualized funding		298,005.14	11,535.24	436,005.94	660,545.50	1,609.38	94,298.38	30,948.02		
		Percentage per funding type		19.11%	0.74%	27.96%	42.36%	0.10%	6.05%	1.98%		
				SGF	EDIF	Fee fund	Federal Fund	Loans & Grants	Intergovernmental Funds	Transportation Fund		

* We know this annualized figure is low for the Dept of Revenue since their high volume months are January through April - both for receipts and disbursements pertaining to income tax. KDOR's increased disbursements during that period may have a residual effect on other agencies' billings due to the proration effect on warrants issued.



DEPARTMENT OF HUMAN RESOURCES
Jim Garner, Secretary

KATHLEEN SEBELIUS, Governor

**Testimony before the Senate Ways and Means Committee
Concerning Senate Bill 442
by Secretary Jim Garner
Kansas Department of Human Resources
February 13, 2004**

Chairman Morris and Members of the Committee:

Thank you for the opportunity to appear today and share our opposition to Senate Bill 442. The 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 \$500,000 next year, if this source of funding continues. These are funds from the Unemployment Insurance Trust Fund. 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.

If you do decide to act favorably on this legislation, then I ask that the language in Section 1(d) remain in the bill. Otherwise, the agency lacks the authorization required by the federal government to use these funds to pay the fees.

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

Senate Ways and Means
2-13-04
Attachment 3