

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on March 11, 2003, in Room 514-S of the Capitol.

All members were present except:

Representative Bob Bethell, Excused
Representative Larry Campbell, Excused

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy Deckard, Legislative Research Department
Becky Krahl, Legislative Research Department
Melissa Calderwood, Legislative Research Department
Julian Efir, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Sue Fowler, Committee Secretary

Conferees appearing before the committee:

Duane Goossen, Director, Division of the Budget
Alan Conroy, Director, Legislative Research Department
Joan Wagon, Secretary, Kansas Department of Revenue
David Patton, Chairman, Kansas Board of Tax Appeals
Tony Folsom, State Board of Tax Appeals
Chad Luce, Public Information Officer, Department of
Wildlife and Parks
Chris Tymeson, Legal Counsel, Department of Wildlife
and Parks

Others attending: See Attached

Representative Nichols moved for reintroduction of **HB 2349** which changes the requirements determining mental retardation for purposes of applying the death penalty. Motion was seconded by Representative Henry. Motion carried.

Representative Shriver moved for proposed legislation regarding Department of Human Resources to move the powers of the Boiler Safety Program and the Inspection of Industrial Health and Safety to the State Fire Marshal. Motion was seconded by Representative Howell. Motion carried.

Representative Shriver moved for proposed legislation regarding Department of Human Resources relating to Dislocated Workers Program and transfer the Advisory Commission on Hispanic Affairs, Commission on Disability Concerns, and Commission on African-American Affairs to the Governor's Office. Motion was seconded by Representative Howell. Motion carried.

Representative Klein moved for introduction of proposed legislation for one-half of 13th check for KPERs members. Motion was seconded by Representative Gatewood. Motion carried.

Staff distributed copies of the Responses to Cigarette Tax Questions concerning the cigarette tax requested at the February 6, 2003 meeting of the House Appropriations Committee. In addition, a spreadsheet is attached showing current fiscal year receipts to date (by month) for the cigarette tax (including the inventory tax), as well as receipts for the past two fiscal years.

SB 187 was referred to Tax, Transportation, Judiciary and Retirement Budget Committee. **SB 191** was referred to Agriculture and Natural Resources Budget Committee.

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Duane A. Goossen, Director of the Budget, presented the March revenue estimate update on General Fund Receipts (Attachment 1). The Division of the Budget, the Department of Revenue, and consulting economists met this week to consider tax revenue projections for the State General Fund in FY 2003 and FY 2004. Given current information, FY 2003 tax revenue is expected to be \$105.0 million below the last Consensus Revenue Estimate made on November 5, 2002, and FY 2004 revenue is expected to be \$125.0 million below the November estimate. Refinements to this updated forecast are expected to be made April 22, 2003, at the Consensus Revenue Estimate meeting.

Alan Conroy, Director of Legislative Research, presented information on the State General Fund Receipt Estimates (Attachment 2). Total SGF receipts through February of FY 2003 were \$99.4 million or 4.0 percent above FY 2002 for the same period. Tax receipts only for the same period exceeded FY 2002 by \$84.4 million or 3.3 percent. Based on the revised estimate of State General Fund receipts in FY 2003 made last November, it was estimated that receipts in November through February would total \$2.617 billion. Actual receipts for those four months were \$2.609 billion or 0.3 percent below the estimate.

For FY 2004, while the Legislative Research Department does not have an official revision to the November consensus estimate, it might be reasonable to assume that the size of the shortfall for FY 2004 will be of at least the same magnitude as the FY 2003 shortfall. The combined potential impact for the two fiscal years would therefore be \$180 million, but a figure of more than \$200 million could be justified if the Department of Revenue or university economists were to provide information about major tax sources or the economic outlook that would necessitate additional cuts in the estimates.

Hearing on SB 115 – Reducing membership of the state board of tax appeals to three members

Amy Deckard, Legislative Research Department, presented an overview on **SB 115**. As amended, **SB 115** would reduce the membership of the State Board of Tax Appeals (SBOTA) from five to three, effective January 15, 2003. The bill would provide that no successors would be appointed for the two SBOTA members whose terms expired on that date. The bill also would make several adjustments to statutory requirements concerning SBOTA members. Under current law, at least one member must be appointed from each of the state's congressional districts. The bill would amend that requirement such that no more than one member may be appointed from any one congressional district. Current law also requires that three of the five SBOTA members either have been regularly admitted to practice law or have been engaged in the practice of law for at least five years or have been a certified public accountant who has maintained registration as an active attorney. This requirement would be retained but would apply to two of the three SBOTA members (in lieu of three of five). A requirement that the votes of at least three members are necessary for SBOTA to take any action would be amended such that a minimum of two votes would be necessary. This will impact the State General Fund expenditures would be reduced by \$56,710 in FY 2003 and by \$230,130 in FY 2004 pursuant to the elimination of the two positions.

Duane Goossen, Director of the Budget, appeared to verbally support **SB 115**. The Division of the Budget assumed the passage of this bill in building the Governor's budget. By reducing the Board from five to three members there is an annual savings of approximately \$230,000 and that amount was built into the budget for FY 2004. Additionally, they built in \$300,000 to the budget on the expectation that the Board could begin charging a filing fee for parties appearing before the Board. At the time the budget was built and the \$300,00 was put into it, it was thought possible for the Board to do that without any kind of legislation. Upon further discussions, it was decided it would be advisable to include some language allowing them to do that and there is an amendment coming to this bill which will specifically allow the Board to charge filing fees. Which then supports the \$300,000 which is built into the budget for FY 2004. From budget perspective, Director Goossen encourages that **SB 115** be passed.

Joan Wagon, Secretary of the Department of Revenue appeared to testify on behalf of the Governor and the Department of Revenue in support of **SB 115** (Attachment 3), which proposes to reduce the number of members of the Board of Tax Appeals from five to three. Secretary Wagon also requests that the provisions attached hereto be amended into **SB 115**, as it passed the Senate. The purpose of these provisions is to establish in the State Treasury a case filing fee fund for appeals filed with the Board, to be administered by the Board.

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David Patton, Chair of the State Board of Tax Appeals, explained the operation of the State Board of Tax Appeals.

Tony Folsom, State Board of Tax Appeals, reported on the suggested filing fees and the breakdown of the proposed fees. Committee members requested additional information concerning the proposed fees, typical number of cases filed with Board per year and the amount of moneys to be charged and collected.

Chair Neufeld announced that the hearing on **SB 115** is closed.

Hearing on SB 43 – Wildlife and Parks; service fees

Julian Efird, Legislative Research Department, presented an overview of **SB 43**. The bill would increase service fees charged for issuing licenses, permits and stamps provided by the Department of Wildlife and Parks. County clerks, private vendors and the agency currently sell the various documents and the service fee would rise from \$.50 to \$1.00 on licenses, permits and stamps, and from \$.25 to \$.50 on state migratory waterfowl stamps. In addition, the bill would authorize the agency to contract with private vendors to sell licenses and other documents over the telephone or internet. Finally, the bill would allow additional negotiated service fees to be charged under the provisions of a contract with the agency. The bill would be effective July 1, 2003.

The bill was requested by the Department of Wildlife and Parks. It was noted that the service fees had not been increased since 1989. About two-thirds of the various sales are handled by the county clerks and local vendors on behalf of the agency. The agency currently contracts with the Information Network of Kansas to issue licenses over the internet and the contract allows for a service fee of \$1.75 to be collected. The fiscal note indicates that the agency would receive an estimated \$300,000 increase in services fees and that the vendors, including county clerks, would receive an estimated \$640,000 increase. The bill was supported by the Kansas County Clerks and Election Officials Association.

Chad Luce, Public Information Officer, Department of Wildlife and Parks provided testimony in support of **SB 43** (Attachment 4). The bill would provide the department additional revenue to recover administrative costs associated with issuing licenses, permits and stamps, including an estimated additional \$200,000 annually to the park fee fund. The bill would also provide an additional financial incentive for county clerks and other vendors to continue to participate in the department's vendor program. In addition, the bill would allow the department to contract with telephone-or Internet-based vendors, who could charge an additional transaction fee, to be negotiated by the Secretary of Wildlife and Parks.

The department would like to request an amendment to **SB 43**, pertaining to the settlement of unpaid camping or vehicle entry fees. During the 2001 Session, legislation was passed that allowed persons who failed to purchase a required permit two options to prevent the issuance of a citation:

- The person may pay both the permit fee and a \$15 late payment fee within 24 hours
- The person may purchase an annual vehicle or camping permit

The provisions of this statute are set to expire on December 31, 2003. The department requests that the sunset provision be stricken, making this provision permanently effective.

Chris Tighman, Legal Counsel for the Department of Wildlife and Parks, reported on the tourism aspect this bill could provide the state, also reporting there had been no negative comments received from the private vendors engaged in this process.

Chair Neufeld announced that the hearing on **SB 43** is closed.

Representative Henry, Member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the State Hospitals for FY 2003 and moved for the adoption of the Budget Committee recommendations with notations and observations for FY 2003 (Attachment 5). Motion was

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seconded by Representative Ballard.

The Committee discussed changing the wording in the State Hospitals FY 2003, Item 1 to insert “community mental health centers statewide” following the words “Kansas City area”. The Senate report has different language in Item 1 and Item 2 and wants all stakeholders to get together to review and make recommendations for the Rainbow Mental Health Center.

Representative Nichols moved to amend the Budget Committee report by inserting “community mental health centers statewide” following the words “Kansas City area” in Item 1. Motion was seconded by Representative Henry. Motion carried.

Chair Neufeld requested Representative Nichols to write up additional language to consider for continuation or closure of State Hospitals.

The consideration of the Budget Committee report on state hospitals will be continued on March 12, 2003

The meeting was adjourned at 11:00 a.m. The next meeting is scheduled for March 12, 2003.

Melvin Neufeld, Chair